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NEWS SUMMARY

GENERAL

Further union curbs proposed

The Government may introduce a Bill seeking major changes in trade union practice. The Bill would be based on amendments to the present Employment Bill which have been tabled by Conservative MPs.

Proposals include provision for employers to lay off workers without pay when they are unable to work because of industrial action elsewhere; secret postal ballots on elections and strikes; and a change in unions' political levying practices. Back Page

Church unity plan

The Pope would be "universal primate" of a union of the Anglican and Roman Catholic Churches, a commission of both churches said. But hardline Protestants said the proposals could cause a constitutional crisis.

EEC warning

President Mitterrand warned in Brussels that new proposals to settle the dispute over Britain's contributions to the EEC budget were no basis for negotiation. Back Page

Begin wins vote

Israel's coalition government won a crucial parliamentary vote which apparently ensures its survival until it hands Sinai back to Egypt next month.

Columbia delay

The Columbia space shuttle is due to land today. Its scheduled return to Earth yesterday was postponed by the U.S. Space Agency because of unsuitable weather.

Laker fund closed

The Save Sir Freddie Laker Fund has been wound up and all the money returned to subscribers.

Execution call

A Nevada jury recommended that Priscilla Ford be executed in the state gas chamber for murdering six people with her car in a crowded Reno street.

Mersey cash boost

Private and voluntary sectors have raised nearly £1m for sports facilities on Merseyside. The Government will match this sum. Page 8.

Sex case verdict

Helen Gates won £200 in a sex discrimination case when a Wirral tribunal heard she was refused a head teacher's job after a series of questions about her marital life.

Falklands speech

Lord Carrington, the Foreign Secretary, is to cut short his visit to the EEC summit in Brussels to make a statement in the Lords today on the Falklands "invasion" row. Page 4

Fugitive shot

An East German using a bulldozer to flee to the West was shot dead by Communist border guards near Bad Soden, West German police said.

Submarine scare

The Ministry of Defence is investigating the activities of a submarine which emerged from the sea near Bournemouth Pier, scaring passersby.

Briefly . . .

The Queen gave Royal Assent to Canada's new constitution.

Three members of Polish national ice hockey team defected to Austria.

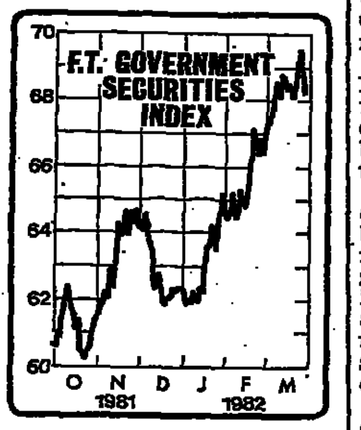
Police are seeking hooligans who strangled rare black swan at Newstead Abbey, Nottingham.

BUSINESS

Equities fall 2.6; gilts off 0.46

● EQUITIES eased on international interest rate worries. The FT 30-share index was 2.6 off at 555.1, a four-day loss of 9.2. Page 36

● GILTS ended at the day's lowest with widespread falls which left the Government



Securities index 0.46 down at 68.23, a four-day fall of 1.32, or nearly 2 per cent. Page 36

● STERLING fell 1.05c to $1.78 but rose to DM 4.30 (DM 4.2285) and SwFr 3.4350 (SwFr 3.4225). It slipped to FFr 11.0950 (FFr 11.1550). Its trade-weighted index was unchanged at 90.9. Page 30

● DOLLAR rose to DM 2.4125 (DM 2.3945) and SwFr 1.9280 (SwFr 1.9125). It eased to Y246.75 (Y247.0) and FFr 6.2350 (FFr 6.2525). Its trade-weighted index rose to 116.2 (115.7). Page 30

● WALL STREET was off 0.38 to 817.54 at 2 pm. Page 34

● GOLD fell $4 in London to $319. Page 30

● WORLD TRADE declined by 1 per cent last year, the first fall since 1958, the General Agreement on Tariffs and Trade (Gatt) said. Gatt urges changes, Page 5

● CHINA signed with Sweden its first agreement for the mutual protection of investments. Page 5

● STONE-PLATT'S joint receivers confirmed an agreement to sell the group's loss-making textile machinery division Platt Saco Lowell. Back Page

● BURMAN and Sons, engineering company, told its 600 manual workers to accept pay cuts up to £18-a-week or be dismissed. Back Page

● UNITED Airlines, of the U.S., threatened to cancel orders for 20 Boeing 767s, worth nearly £562m ($1bn) if Congress repeals leasing and tax concessions. Back Page

● GLYNWED, building to steel stockholding concern, reported taxable profits ahead at £19.23m (£16.13m) for the year ended December 26. Page 24; Lex, Back Page

● FREEMANS mail order announced taxable profits up 23 per cent to £13.08m for the year ended January 30. Page 24; Lex, Back Page

● PLESSEY and GEC each won £20m orders from British Telecom for an electronic office switchboard, the Monarch PABX. Page 6

● HORIZON Travel reported pre-tax profits 80 per cent up to a record £13.33m (£7.38m) for the year ended November 30. Page 24

● HABITAT, stores group, announced pre-tax profits up by £1.2m to £3.8m for the 28 weeks to January 10. Page 24

● CHARTERHOUSE Group announced an increase in 1981 pre-tax profits from £16.12m to £22.59m. Page 28

● SHARE information service highs and lows and related statistics will be based, from today, on 1982 values.

CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES		
Austin (F.) (Leyt'n)	6½	+ 1½
Boots	223	+ 4
Brit. Aerospace	130	+ 10
Dunlop	76	+ 3
Eagle Star	380	+ 5
Empire Stores	80	+ 6
Finlan (J.)	156	+ 6
Hawley Grp.	82	+ 4
Hepworth (J.)	102	+ 7
Lambert Howarth	63	+ 4
Pearson Longman	322	+ 7
Yorkshire Chemicals	44	+ 6

FALLS		
Treas. 15pc 1985	£102¾	− ⅜
Exch. 13½pc 1987 A (£50pd.)	£58¾	− ⅜
Treas. 12 pc 1995	£89½	− ¾
Treas. 15½pc 1998	£108¼	− 1
Treas. 2½pc I.L.	£98	− 1½
Assoc. Comms. A	96	− 4
Babcock Intl.	91	− 7
Cape Inds.	163	− 7
Chloride	25	− 3
Inter City Inv.	56	− 7
Johnson & Firth B.	13	− 3
Low & Bonar	130	− 51
Manson Finance	60	− 3
Metal Box	148	− 12
NEI	82½	− 2½
Pifco A	190	− 10
BP	284xd	− 4
Ultramar	357xd	− 5
Gold Mines Kal.	180	− 15
MIM	150	− 6
Nrth. Kalgurli	15	− 4
Poseidon	87	− 5

Ford to cut prices of most UK cars to end discount chaos

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

FORD OF BRITAIN is to cut recommended prices of most of its car models, to try to end the chaos of heavy discounts and special offers in the UK new-car retail trade and to stop the growth in unofficial imports from the Continent.

The cut in recommended prices ranges from £84 (1.8 per cent) on the Escort 1.3L, Ford's most popular model in Britain, to £3,321 (24.8 per cent) on a Granada Ghia 2.8 injection model.

Mr Sam Toy, chairman of Ford of Britain, said yesterday the cost would be about £200m over the next year, shared between Ford, its dealers and the Inland Revenue.

He said: "The main purpose of this programme is to bring back confidence to a market made uncertain by the publicity given to parallel [unofficial] imports. We felt it right to give assistance to those of our models which were most subject to this sort of competition."

The Cortina, only recently overtaken by the Escort as Britain's best-selling car, is less affected by the "grey" import trade. Its price is being raised by 4.5 per cent.

Mr Toy said this was because the Cortina price had been cut by £150 at the start of 1981 and since then its price had not risen at the same rate as other Ford models.

The Cortina is, however, to be replaced in the autumn by a completely new model and Ford evidently does not want its price to lag too far behind what it believes it should charge for the Sierra, its replacement.

As part of the package of price cuts the discount of Ford main dealers will be reduced from 18.5 per cent to 17 per cent, bringing it more into line with the 16 per cent common on the Continent.

Dealers and some of Ford's rivals said last night the package would have little impact on the actual prices paid by customers for new Fords once allowance is made for the heavy discounts offered previously.

Mr Cecil Rodfern, chairman of Godfrey Davis (Holdings), said fleet-buyers would have to accept smaller discounts in return for lower list-prices.

One motor industry executive said Ford was simply reducing its car prices to levels at which they had been sold in the first quarter of the year.

Mr Toy acknowledged that dealers would have less room to give big discounts but said: "We need to get back to normal terms of trade. We have been through three months of the most disorderly marketing the UK has ever known—and I admit Ford played a part in that."

Ford set its dealers' sales targets based on the assumption new car sales in 1982 would reach 1.5m. In January and

Continued on Back Page

NEW CAR PRICES

Ford Fiesta 1.1L	£4,162 (4,268)	Ford Cortina 1.6L	£5,335 (5,105)
Austin Metro L	4,025	Austin Amb. 1.7L	5,105
Renault R5 GTL	4,048	Vauxhall Cv. 1.6L	5,153
Honda Civic 1.3	3,845		
Ford Escort 1.1L	4,286 (4,473)	Ford Gran. 2.3GL	8,948 (9,615)
VW Golf C	4,106	Rover 2.3 S	9,359
Datsun Sny. 1.2GL	3,746	Vauxhall Carlton	7,031
Talbot Hzn. 1.1LE	4,099	Peugeot 505 SR	7,900

Previous prices in parentheses.

Right-wing lead emerges in El Salvador election

BY HUGH O'SHAUGHNESSY IN SAN SALVADOR

HECTIC political negotiations began yesterday morning in the wake of the provisional results of Sunday's Salvadorean election which gave the parties of the right and the extreme right an apparent lead over the U.S.-backed Christian Democratic Party (PDC) of President Jose Napoleon Duarte.

On the basis of the first results, representing about 15-20 per cent of the votes cast, the PDC won 41.9 per cent of the vote, the extreme right wing Nationalist Republican Alliance (Arena) of Major Roberto d'Aubuisson 26.8 per cent, and the Party of National Conciliation (PCN) which governed the country for more than a decade 21.66 per cent.

The remaining proportion was split between four minor right-wing groups. The parties of the left boycotted the election.

The result, a weakening of the power of President Duarte and the PDC, will be seen as a major reverse for Washington which has consistently supported him. The rise of the right and the legitimising of its claims to participation in government will be extremely worrying for the State Department. This concern is likely to increase if Arena becomes the leading party in a right wing coalition and implements the measures it has proposed during its electoral campaign.

In Washington, President Ronald Reagan was said by the White House to be "pleased" about the success of the election. The State Department described the election turnout as "absolutely astounding."

Mr Deans Hinton, the U.S. Ambassador in El Salvador, went even further, calling it "super-fantastic." The State Department said the voting showed that Mexico and France had been misled in recognising leftist guerrillas, who had been trying to disrupt the elections, as a "legitimate political force."

Major d'Aubuisson met Mr Hinton yesterday after earlier contacts with the PCN, a party which is inclining towards a coalition with Arena in order to control the 60-seat Constituent Assembly which convenes shortly. He was due to meet President Duarte later yesterday.

Major d'Aubuisson afterwards expressed confidence that Washington would not withhold military and economic aid to any government in which Arena participated.

Yearnings for peace, Page 4

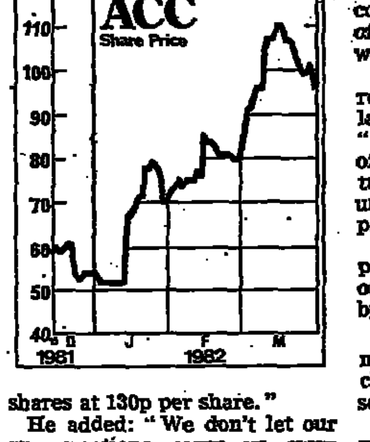
Heron withdraws bid for ACC

BY JOHN MOORE, CITY CORRESPONDENT

THE BATTLE for control of Associated Communications Corporation, the entertainments empire, between Mr Robert Holmes à Court and Mr Gerald Ronson, head of Heron Corporation, came to an abrupt end yesterday when Heron announced that it was withdrawing its £49.4m offer for ACC.

Heron's offer, which placed a value of 90p on each non-voting share of ACC, had been topped by the Australian entrepreneur. TVW Enterprises, a television associate company of Mr Holmes à Court's Bell Group, had mounted a two-tier bid, the lowest worth 95p for each non-voting share and the highest 110p, placing a value of £60m on ACC.

Mr Ronson said yesterday: "The price is getting a little bit ridiculous at these levels. Mr Holmes à Court was only prepared to sell TVW's 52 per cent stake in the non-voting ACC shares at 130p per share."



He added: "We don't let our ego emotions carry us away when we are buying companies. We played poker and Mr Holmes à Court has won."

Heron's campaign, which involved extensive legal action, one indicated offer and two formal offers for the group, has cost a net £250,000. "In terms of experience it was money well spent."

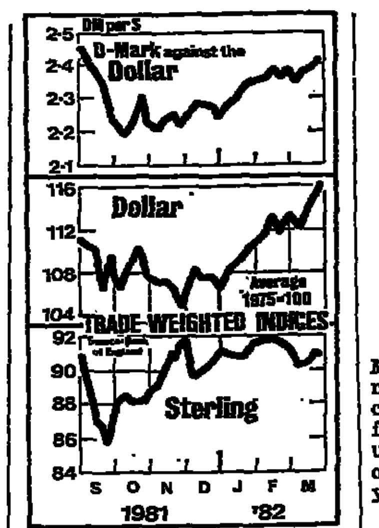
Heron was pleased that as a result of the litigation it launched and the offers of TVW "the non-voting shareholders of ACC now have an opportunity to receive 110p per stock unit, which reflects a very full price for ACC."

The latest offer is about 67 per cent higher than the original of 66p per share made by Mr Holmes à Court.

Mr Robert Maxwell, chairman of Pergamon Press, disclosed yesterday that he had sold his ACC shares.

On the London stock market yesterday the share price of ACC's non-voting equity fell 4p to 96p.

Grade-Gill agreements challenged, Page 3; Lex, Back Page



Dollar at six month high

By Our Foreign and Financial Staff

A FRESH RISE in Eurodollar interest rates yesterday boosted the dollar to its highest level against sterling and the D-Mark for six months.

The French franc made a partial recovery after dropping to a record low against the dollar earlier in the day, and finished higher compared with Friday against other currencies in the European Monetary System.

In spite of the dollar's renewed gains, central banks in Europe made only scattered attempts to halt their currencies' slide through intervention.

With falling oil prices reducing the inflationary danger of a strong dollar, EEC central banks for the time being appear fairly relaxed about the widening gap between U.S. and European interest rates.

Sterling fell 1.05 cents to close in London at $1.78, and received a small amount of intervention support from the Bank of England. But it rose against the D-Mark and Swiss franc. Its trade-weighted index—to which the Bank pays most attention—was unchanged at 90.9.

The dollar climbed to DM 2.4125 in London from DM 2.3945 on Friday, with the West German central bank, the Bundesbank, making only token dollar sales to brake the move.

The interest rate gap between the two currencies increased to more than 6 percentage points as the three month Eurodollar interest rate in London rose to 15¾ per cent from 15¼ per cent against 9¼ per cent for the Euro D-Mark. International financial markets fear U.S. interest rates may rise further over the next few weeks as the U.S. Federal Reserve

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Oil companies seek price cut from Nigeria

BY QUENTIN PEEL AND RAY DAFTER

MOST OF the major international oil companies buying crude from Nigeria have asked for a price cut, but have not unilaterally reduced production, oil company officials said yesterday.

A deadline said to have been set by Saudi Arabia for the oil majors to increase their take from Nigeria passed last night without any indication of an increase in overall production. The company officials said there was no evidence of a significant revival from the level of under 700,000 barrels a day last week, or barely half the 1.3m b/d production quota fixed for Nigeria by the Organisation of Petroleum Exporting Countries (Opec).

The oil companies insist that the biggest problem in increasing production is the inability of the Nigerian National Petroleum Corporation (NNPC) to sell its majority share of production to its usual customers, most of whom are small traders in the oil market.

It is understood that a meeting of all the companies involved in the Nigerian oil industry, which took place at NNPC headquarters yesterday, passed without discussion of the level of production. Instead, the companies discussed oil company profit margins, which have been a bone of contention for the past two years.

However, Elf-Aquitaine, the French state-owned oil company, said yesterday it is aiming to negotiate a reduction in its long-term supply contract with Saudi Arabia—in order to maintain its Nigerian liftings.

Nigerian oil officials hope the narrower price differential between Nigerian crude and Saudi crude approved by Opec, which has reduced the Nigerian price from $36.50 to $35.50 a barrel, will persuade other companies like Elf to buy from Nigeria at the expense of Saudi oil.

Oil companies with Nigerian interests were still not saying last night whether Saudi Arabia had threatened sanctions if they did not restore their liftings from Nigeria. Industry reports have been based on reliable Saudi sources quoted in the Middle East Economic Survey.

The Royal Dutch/Shell Group, one of the leading producers of Nigeria oil, said: "We have had no direct approach from anybody. We have had no complaint from Nigeria with whom we have had constant contact." The group was continuing to lift crude from Nigeria "as normal."

Shell has been lifting Nigerian oil under two separate arrangements. The group said it had a purchasing agreement which had not been affected by Nigerian oil glut. Its other agreement—relating to a production-sharing deal with NNPC—had been affected by Nigerian state-owned Corporation's own sales. A reduction in sales by NNPC had cut the amount of oil to which Shell was entitled. "Indeed, Shell is currently lifting more than its equity entitlement because of the very swift departure of some 3rd party companies," said the group in London.

Mobil, another major user of Nigerian oil, said its liftings had not changed since Opec met in Vienna earlier this month. A supertanker—a very large crude carrier—was about to make its regular scheduled visit to Nigeria.

Gulf has also denied that it has suspended liftings. Texaco has refused to comment.

Traders in the spot market remained calm in spite of reports of sanctions and blacklistings against these and other oil companies. Some traders said the apparent move by Saudi Arabia and other Opec producers to force companies to continue liftings from Nigeria would sustain the surplus of oil on world markets. This in turn might increase the downward pressure on prices—the opposite of the aim of ministerial moves agreed at the Opec meeting in Vienna.

Spot market prices of crude oil and products remained little changed from the end of last week. North Sea oil was valued at about $29.50—some $1.50 a barrel below the contract rate and $6 a barrel below the price of similar quality Nigerian crude. The spot price of Arab Light crude was said to be about $28.50-$29 a barrel — more than $5 below the contract rate of Opec's reference oil.

Terry Dodsworth reports from Paris: Elf-Aquitaine is aiming to negotiate a reduction in its long-term crude supply contract with Saudi Arabia.

The company said yesterday it had already "raised the question" of renegotiating the Saudi deal, which gives Elf 6m tonnes of crude oil a year. It refused to put a figure on the cuts it wanted, but said a reduction was essential to the maintenance of its offtake from Nigeria and other African producer states.

Under the deal with the Saudis, signed at government level in 1973, and since renewed twice, Elf receives a half share of a 12m tonne annual delivery. The other half goes to Total, the second of the big French oil companies. All of the Saudi oil.

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CONTENTS

Poland forecasts second quarter 'cash hunger'

BY CHRISTOPHER BOBINSKI IN WARSAW

THE STEEP increase this year in the price of Polish consumer goods will begin to bite in mid-May, according to a report by the government planning commission which predicts the beginnings of "cash hunger" in the middle of the second quarter.

The latest issue of the economic weekly Zycie Gospodarcze, which publishes a summary of the report, says the planning commission sees the need for further price increases for bread, soap and other toilet goods—a move which could heighten tension in coming weeks.

The commission also says that the target of 200,000 new dwellings this year, given absolute priority by the Government, is likely to fall short by 30,000.

Extractive industries such as coal and copper, and those industries which work on home produced raw materials should see a 7 to 9 per cent increase in production in the second quarter, says the report. But those industries tied to hard currency imports will see a drop of 10 to 12 per cent, with some sectors falling by as much as 30 per cent.

The report says that industrial production for the year should drop by 2 per cent, while national income will fall by about 8 per cent.

The commission admits that it still has no idea how much Western financing will be available this year. Predictions of the year's harvest are still sketchy.

However, the figures the commission has produced are already raising doubts. The $1.4bn (£780m) figure the commission is assuming will be available for hard currency imports in the second quarter may be over-optimistic. The report admits that the suggested 5m tonnes worth of hard coal exports earnings to the West between April and June may also be unrealistic in the light of competition from U.S. coal exporters and low seasonal demand.

Controversy also surrounds the predicted drop in national income. Experts at the Foreign Trade Ministry's research institute say that Poland's national income this year could drop by as much as 22 per cent. This already assumes that Comecon countries step above planned deliveries this year by about 1bn roubles, and that Poland manages to refinance its debt on the lines of last year's agreement and raises some $2.5bn worth of new credits in the West.

Closer to the pocket of the man in the street, the commission's prediction that price increases will come to be felt by mid-May was challenged in Parliament last week by Mr Zbigniew Kledecki, a deputy from Kalisz in western Poland.

Mr Kedecki charged that the price increases, especially on consumer durable goods, were too high and that despite the extra payments made in February to cushion the impact of the rises, people in small towns already could not afford to buy their full ration quotas.

However, the figures for February suggest that still too much money is chasing too few goods.

Despite a slight improvement in supplies of meat and other goods, the authorities failed to fulfil supplies to the level of rationing allocations. In February, the drop in industrial production also hit supplies of durable goods.

Bank savings rose by 41 per cent in February, while it is estimated that cash holdings went up by 50 per cent.

Display of support for Jaruzelski in E. Berlin

EAST BERLIN—East Germany yesterday welcomed General Wojciech Jaruzelski, Poland's military leader, in a huge display of support for his martial law policies.

Almost the entire ruling Politburo, including Herr Erich Honecker, head of state, Herr Willi Stoph, Prime Minister, Gen. Heinz Hoffmann, Defence Minister and Herr Harry Tisch, trade union chief, greeted Gen. Jaruzelski at the airport.

Thousands of police and state security men guarded the 10-mile route through the city, which was lined by flag-waving factory workers and schoolchildren.

Gen. Jaruzelski visited Moscow at the beginning of this month and is due to go to Prague soon in what appears to be a tour to show his allies that Poland is safely back in the Communist fold.

Red banners, displayed in quantities unseen in East Berlin for some years, carried slogans declaring "by the side of the USSR for the preservation of peace" and "together for anti-imperialist solidarity."

Gen. Jaruzelski was accompanied by Mr Jozef Czyrek, Foreign Minister, and a cross-section of military and party officials. These included Mr Jozef Baryla, Deputy Defence Minister, Mr Jan Glowczyk an economist, and Mrs Zofia Grzyb, a former member of the Solidarity free trade union.

Mrs Grzyb, a former shoe factory worker, was elected to the Politburo last summer. She later quit the union, accusing it of turning anti-Communist. She is not regarded as influential.

Gen. Jaruzelski's programme includes wreath-laying at East Berlin's memorial on Unter den Linden and at the Polish and Soviet war memorials.

The official Communist Party newspaper Neues Deutschland recalled that as leader of a reconnaissance unit in the Soviet-backed Polish Army in 1945 Gen. Jaruzelski took part in the liberation of Berlin from the Nazis.

Reuter

Former top official jailed on corruption charge

WARSAW — Former Polish Deputy Prime Minister Franciszek Kaim was jailed yesterday for one year and fined 300,000 zloty (£2,000) for corruption.

He is the highest-ranking government official to be imprisoned since investigations began into alleged abuses of power during the 10-year rule of former party leader Edward Gierek after he fell in disgrace in September 1980.

Mr Kaim was closely associated with the Gierek era, holding the office of deputy to Prime Minister Piotr Jaroszewicz between 1970 and 1979.

Mr Jaroszewicz and Mr Gierek are among the prominent figures of the 1970s who are also being investigated for possible legal proceedings. Both were interned when martial law was proclaimed last December.

The official news agency PAP said that Mr Kaim had been indicted on charges of giving his secretary authority to buy five cars for private use and a gift of $125.

Mr Kaim was also banned from holding public office for three years. His secretary was given a one-year suspended sentence and a similar fine.

Reuter

Moscow shows trade deficit with West

By Our Foreign Staff

THE Soviet Union recorded a trade deficit of 865m roubles (£312m) with Western countries and Japan last year, compared with a small surplus in 1980, but it chalked up a larger surplus with its communist trading partners, according to latest official figures in Vneshnaya Torgovlya, the monthly trade magazine.

After a first half-year deficit of 2.61 bn roubles in trade with the West, the Soviet Union showed a marked improvement in the second half of 1981, reflecting bulk sales of gold, timber, diamonds and oil to raise hard currency.

Just over half — 57 bn roubles — of Moscow's total 109 bn roubles trade turnover last year was with partners in Comecon, with a surplus of 4.45 bn roubles in the Soviet Union's favour. Much of the surplus was with Poland, which failed to make planned deliveries because of its economic and political crisis.

But these large surpluses with fellow Comecon countries are more in the nature of credits and are of no help to the Soviet Union in paying its hard currency bills with the West.

Last year's Soviet trade surplus of 1.7 bn roubles is expected to increase this year, following Moscow's decision to increase and accelerate shipments of raw materials to Poland.

West Germany remained the Soviet Union's biggest Western partner with a turnover of 6.01bn roubles. Finland was second with 5.01bn roubles and France third with 4.19bn roubles.

In the developing world, Argentina, helped by grain sales, more than doubled its trade with Moscow to 2.40bn roubles, overtaking India to become Moscow's biggest non-Communist trading partner in the Third World.

Overall, Moscow had a 1981 surplus of 892m roubles with the developing world, with exports of 8.67bn and imports of 7.78bn.

However, Soviet exports to the developing world, listed on a country-by-country basis, totalled only 5.03bn. Western trade specialists said the apparent gap was probably accounted for by arms sales.

Swiss GDP up 1.9%

By John Wicks in Zurich

GROSS DOMESTIC Product rose in Switzerland last year by about 1.9 per cent in real terms, according to Government figures.

This estimate is much higher than that published in January, which put growth at only about 0.6 per cent. In comparison, GDP rose by a price-adjusted 4.4 per cent in 1980.

Last year's increase was due largely to a rise in real terms of 3.7 per cent in exports at the same time as import value dropped by a real 1.5 per cent in comparison with 1980.

On the home market, capital investments improved by a price-weighted 2.8 per cent, although elsewhere private consumption went up by only 0.5 per cent and public spending by 0.7 per cent in real terms.

For the first time, the country's Federal Statistics Office has prepared quarterly figures for GDP. These show an acceleration in the real growth rate from only 0.6 per cent in the first quarter of 1981 to 3 per cent in the second three-month period.

This then gave way to a slowing down in underlying growth to 2.1 per cent in the third quarter and 1.9 per cent in the final quarter of the year.

Tunisian contract

Societe Polysius, a wholly-owned subsidiary of Polysius of West Germany, said it has won a turnkey contract worth FFr 760m (£69m) to build a cement works in Tunisia, AP-DJ reports from Paris.

Lynton McLain reviews the West German airline's move to cut its domestic losses

Lufthansa's bid to get back on the rails

LUFTHANSA, Germany's state airline, launched its latest commercial service on Saturday—on the ground. The 125 mph "Airport Express" took off on one of the grandest rail routes in Europe, the line from Dusseldorf to Frankfurt, as part of Lufthansa's bid to cut the losses incurred by its domestic flights.

In a bold, one-year experiment, Lufthansa has chartered three of Germany's latest passenger express trains from the Bundesbahn, the federal railway. These will run in tandem with a reduced Lufthansa air service on the internal routes that are making the heaviest losses, in an attempt to cut such losses without adding to the airline's capital expenditure.

Lufthansa's Airport Express promises fast, attractive and competitive priced travel between Frankfurt, Bonn, Cologne and Dusseldorf.

The trains run in Lufthansa's airline colours of chrome yellow and Prussian blue: air hostesses wheel airline catering trolleys with free food, drinks, including draught beer, and newspapers, the views of the Rhine are magnificent and passengers arrive in a competitive journey time with flying at special Airport Express train fares less than half the normal Lufthansa air fare for the same route.

Frankfurt to Dusseldorf by air takes a total of 1 hour 35 minutes; by Lufthansa's Airport Express it takes 2 hours 20 minutes. The Frankfurt to Cologne air journey takes 1½ hours, the new train takes 2 hours.

The costs are also competitive: a return fare to Frankfurt from Dusseldorf costs DM 183 (£43), compared with DM 386 (£90) for the usual return air fare by Lufthansa. The ordinary first class Intercity fare on Bundesbahn trains is DM 162 (£38)—just for the ticket.

Airport Express trains are available to all holders of Lufthansa air tickets and will be available for at least a year as an alternative to Lufthansa's domestic feeder flights between the cities and from Frankfurt to Cologne and Bonn. International travellers stand to benefit most. A Lufthansa passenger from Cologne to Rio de Janeiro does not pay for the train journey to Frankfurt.

The flights on these routes lost DM 50m last year, according to Lufthansa. The aim is to cut this loss to a maximum of DM 5m after two or three years.

For the Airport Express experiment to work, Lufthansa says it has to carry at least 30 passengers on each of the four trains a day—less than 25 per cent of the full capacity. The airline also plans to cut the capacity of its conventional airline feeder service between Frankfurt and Cologne by 18 per cent. At the same time, the extra train seat capacity raises the combined train and airliner capacity on the routes by 20 per cent.

The extra DM 14m it costs Lufthansa to charter the trains from the Bundesbahn and provide the staff and catering exactly equals the savings the airline is making by cutting down its capacity on the loss-making domestic air routes. The airline capacity on the routes is to be cut from seven to four flights a day.

Should the Airport Express project prove successful, Lufthansa is likely to extend the idea to some of its other loss-making internal domestic air feeder routes—in particular those from Frankfurt to Stuttgart and Nuremberg which lose almost as much as the services to Dusseldorf and Cologne.

Meanwhile, the inauguration of the Airport Express increases the interest in the current European battle between rail and air.

In France, the 162-mile an hour train à grande vitesse, the TGV, started commercial service in September. Within two months it had claimed an extra 6,000 passengers a day, of which 1,000 were taken directly from the service of Air Inter, the successful French domestic airline.

As a direct result of the introduction of the TGV high speed trains Air Inter traffic on the busy Paris to Lyon route dropped by 30 per cent. The airline is to replace its high capacity A300 Airbus airliners on the route with smaller capacity aircraft to match the drop in demand for its services.

In Britain, the next phase of high speed Inter-City train travel, the 155 mph Advanced Passenger Train (APT), may well appeal to business passengers when the train enters service between London and Glasgow—Britain's premier business route—after years of teething troubles, culminating in last December's well-publicised problems in the snow.

British Airways dominates this route, with 57 per cent of the 1.2m passengers a year who travel between the two cities by air and rail. British Rail has 29 per cent of the market, according to British Airways, and success for the APT could mean BR winning an additional 121 per cent from the air service.

The problem for BR is that it does not have a date for the start of services with the APT, but if the current programme of runs without passengers is a success the train may enter scheduled passenger service by the summer. British Airways, however, is pushing vigorously ahead with plans to replace its ageing Trident airliners with the new high capacity, highly fuel-efficient Boeing 757 airliner next year.

A link between BR and British Caledonian Airways (BCal) to provide a service similar to Lufthansa's Airport Express was mooted by Sir Peter Masefield, the deputy chairman of BCal, earlier this month. Such a scheme, with trains chartered from BR by BCal and in BCal's colours, could run straight from Manchester, through Birmingham and London Victoria to Gatwick airport in Surrey, he suggested.

Meanwhile, Lufthansa is confident that its train, the Airport Express, will be an attractive alternative to the plane. If it succeeds, it would be further reason for believing that rail travel in Continental Europe is on the brink of a new age.

The Airport Express: Lufthansa's solution to its loss-making domestic flight service between Dusseldorf, Cologne and Frankfurt. The train complements internal flights and offers the equivalent of an inflight service.

Ceremonial, but no celebration, for the Treaty of Rome

BY GILES MERRITT IN BRUSSELS

THEY SAT Mrs Thatcher out of camera shot. Time and again the lens returned to play on the features of Chancellor Schmidt and President Mitterrand, but of the British Premier there was little sign.

Protocol is a tricky business at best, and with some 500 people packing Brussels' Palais des Académies to celebrate the 25th anniversary of the Treaty of Rome, there were bound to be hiccups.

But Mrs Thatcher may have wondered whether the Belgian Foreign Ministry was trying to tell her something with a seating plan that placed her firmly on the periphery: In relation to the Schmidt-Mitterrand centre of power, flanking their host King Baudouin, she was downstream of Luxembourg's Premier Pierre Werner.

It was probably a blessing in disguise. Politicians do not look their best when sitting in rows. And they know it.

For almost an hour they perched uncomfortably on tiny gilt chairs of the sort used at fashion parades.

Some, like M Mitterrand, contrived a look of impassive interest, some even yawned, although Ireland's Premier Charles Haughey later let it be known that he had suffered a crick in the neck. Herr Schmidt relieved proceedings with the odd pinch of snuff.

Postponed birthday parties, as every child knows, are never a success. The spontaneity of the occasion cannot be recaptured. And so it was at yesterday morning's pre-Summit gathering.

The assembled audience of heads of government present and past, Brussels Commissioners dimly known or long forgotten, seemed well aware that the Common Market's real birthday was last Thursday. It was a ceremony and not a celebration.

It may be that the lunch that King Baudouin hosted for EEC leaders at his sprawling grey palace just across the road turned out to be altogether jollier.

But all the speeches marking the Community's quarter century contained a flavour of rebuke, like a grumpy end-of-term prize-giving.

King Baudouin reminded everyone that it is 10 years since the Paris Summit that launched the long-stalled bid for European union, and told the heads of the 10 that it is time they provided an impetus.

Mr Piet Dankert, European Parliament's President, cautioned against doctrinaire interpretations of a 25-year-old agreement that is no longer entirely appropriate to solving Europe's late 20th century problems, and M Gaston Thorn, President of the European Commission, was even more chiding.

"It seems to me," he said, "that Europe's achievement is under serious threat from nationalist and protectionist tendencies, and from the short view being taken by member states as the crisis grinds on."

Whether Mrs Thatcher reacted by so much as a pursing of the lips is no known. There was, though, just an occasional glimpse of her sitting demurely in a sombre outt of black. She looked a little like a bereaved petitioner at court to claim her mite from the EEC budget.

EUROPEANS' ATTITUDES TO THE EEC

Those who think the EEC "a bad thing" (per cent)

	The original six						The three			Greece
	Belg.	France	Italy	Lux.	Neth.	W.Ger.	Britain	Denmark	Ireland	
1973 Sept.	5	5	2	3	4	4	34	30	15	—
1975 May	3	4	3	7	3	8	21	25	20	—
1979 April	2	8	2	3	2	5	34	25	14	—
1980 April	2	9	3	3	3	5	49	29	19	—
1981 April	6	11	5	3	6	9	48*	31	21	22
1981 Oct.	5	7	5	5	3	6	41	29	19	21

Those who think the EEC "a good thing"

	The original six						The three			Greece
	Belg.	France	Italy	Lux.	Neth.	W.Ger.	Britain	Denmark	Ireland	
1973 Sept.	57	61	69	67	63	63	31	42	56	—
1975 May	57	64	71	65	64	56	47	36	50	—
1979 April	65	56	78	83	84	66	33	37	54	—
1980 April	57	51	74	84	75	65	23	33	52	—
1981 April	49	50	73	79	76	49	24*	30	46	42
1981 Oct.	55	53	70	76	75	58	27	31	49	38

* May figure

The EEC's statistics show how much more popular the Community has always been in the countries which wrote its original rules, writes David Tonge from Brussels. The French have grown more sceptical over time, while a dip in West Germans' support last year encouraged Bonn to propose a "European Act" to boost the political side of the Community. Among the newcomers, Britons have been clearly hit by the row over UK contributions to the EEC, with Mrs Thatcher's tough criticisms helping hostility to the EEC to reach a peak just before the interim settlement of May 1980. Much of that hostility lives on. Many Danes, and to a lesser extent Irish, also believe the EEC offers them little.

Soviet missile move 'interesting'

BONN — Herr Helmut Schmidt, West German Chancellor, said yesterday the Soviet freeze on deployment of medium-range nuclear missiles west of the Urals would be welcome if Moscow followed this by saying it was willing to scrap the missiles.

Soviet President Leonid Brezhnev announced two weeks ago that Moscow had stopped deploying SS-20s west of the Urals, but said it might resume the deployment if Nato began preparations to station U.S. Cruise and Pershing-2 missiles in Europe.

"If this one-sided moratorium . . . is meant as a sign that the Russians are prepared later also to scrap (the SS-20s)—of which they have far too many—then we will be able to judge it in hindsight as a positive sign," Mr Schmidt said in an interview with Swedish television.

"For the moment, it is a very interesting gesture."

The Chancellor also said the Soviet Union had already deployed sufficient triple-warhead SS-20 missiles to cover every target in Europe.

Mr Schmidt said he wished the Kremlin had introduced its proposal at the current U.S.-Soviet talks in Geneva on curbing nuclear forces in Europe.

"This way, it looks a little like a bid to outmanoeuvre the negotiations from outside," he said.

The Chancellor said he was pleased with the progress of the Geneva talks.

Courts in Spain adopt 'progressive' standpoints

BY TOM BURNS IN MADRID

A SUCCESSION of judgments handed down by the Spanish courts in recent days has served to counter claims that the judiciary acts as a brake on liberal reforms.

At the end of last week a judge in Bilbao cited constitutional safeguards over the invasion of privacy in a surprise sentence that aquitted women charged under tough anti-abortion legislation.

The constitution's guarantees over freedom of expression served also to overturn a libel suit at the week-end brought by a defendant in the court martial of last year's coup rebels against a Madrid newspaper editor.

This week the arbitrating Constitutional Court is due to pave the way for independent television in Spain by arguing that the present state television monopoly conflicts with the constitution's ruling both on freedom of expression and free enterprise.

A notable factor in such judgments has been the apparent willingness of the bench to adopt what Spanish judicial circles term "progressive" standpoints.

In the Bilbao abortion case, which attracted considerable publicity, the judge's summing-up stressed that the charges against 10 women and one man contrasted with the absence of punitive legislation over abortion elsewhere in Europe.

The judge, in a rare departure from Spanish judicial norms, accepted a defence plea concerning the "social necessity" of the accused as a mitigating circumstance. He referred, in his summing-up, to the extreme poverty of the defendants and the ban on contraceptives at the time when the abortions took place.

In the weekend libel ruling favouring the editor and a reporter of the newspaper Diario 16, the summing-up flatly stated that the offending article (the newspaper had reported that one of the defendants threatened to shoot his men in the back of the neck if they refused to follow him into the seizure of the Spanish Parliament) did not warrant a suit.

The judge's summing-up then added a curious value judgment stating that the newspaper article in question should be seen in the context of "a humiliating act of force, born out of the 19th century, against the representatives of the nation's sovereignty and therefore subject to the right of information of all citizens."

The publication of the article last month led to a boycott by the court martial defendants who refused to appear in court until Diario 16's accreditations to cover the hearings were withdrawn.

Writing in Diario 16 after the sentence, Sr Jaime Miralles, a noted Spanish lawyer, argued that the ruling was a response to campaigns which characterised the judiciary as "the adversary of democracy and the state of law."

Both the Bilbao abortion case and the Madrid libel suit referred in their respective sentences to the 1978 constitution which replaced Francoism. The controversial abortion issue is expected to be the subject of an appeal before the Supreme Court and, subsequently, before the Constitutional Court — an arbitrating bench that was set up two years ago.

A direct appeal to the Constitutional Court was, however, used by the promoters of an independent television channel—Antena 3—to shortcut lower court hearings and test the current legislation protecting the State's television monopoly.

Antena 3, a group which includes the Madrid newspaper ABC and the Barcelona newspaper La Vanguardia, gained a ruling that the State monopoly conflicted with the freedom of enterprise enshrined in the constitution and that liberty of expression is interpreted as liberty to choose between more than one source of information.

The Constitutional Court sentence, due to be published later this week, makes possible the enactment of regulations to allocate independent television licences among about 30 groups that have so far approached the Administration.

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Libya holds up payment to Japanese exporters

By Richard C. Hanson in Tokyo

LIBYA is delaying payments for goods bought from Japanese electronics manufacturers for up to five months, apparently because of a severe cash squeeze.

Some of the companies involved have filed notices of non-payment with the Ministry of International Trade and Industry's export insurance fund: if the Ministry decides to pay compensation from the fund, Libya will become the first member nation of the Organisation of Petroleum Exporting Countries to default on export payments to Japan.

Libya has been an erratic market at best in Japan's experience and is being squeezed by what is expected to be a steep drop in oil revenues this year.

Payments on exports of such products as video tape recorders to a governmental electronic goods buying organisation are running about a month or so beyond what are considered normal (three to four months) delays experienced in the past. It seems, however, that companies using private trade routes have not yet run into problems on payments.

There is no reliable estimate of the amount of arrears that Libya might have run up. One report estimated Libya to be behind on about L15bn (£34m) in total and said this could double in another month.

Last September a number of Japanese car makers found themselves cut off from expected orders for passenger cars from Libya. At the time, Libya could not find the money to continue purchases.

Malaysia ruling party backed

MALAYSIA'S ruling United Malays National Organisation has received a boost to its campaign for the April 22 general election by the decision by Mr Anwar Ibrahim, the Islamic youth leader, to join its ranks, Wong Sulong reports from Kuala Lumpur. It is a severe setback for the fundamentalist party Islam which had also been wooing Mr Ibrahim and his 50,000-strong Islamic youth movement.

Israel cuts its cloth to suit EEC market

BY DAVID LENNON IN TEL AVIV

MORE THAN one Israeli has discovered, with chagrin, that the shopping bargains proudly shown on their return bear not just the "St Michael" logo of Marks and Spencer, but also the legend "made in Israel."

The blushes of embarrassment have now given way to feelings of pride that the Israeli products are of a standard high enough to be bought and retailed by a company with such quality control as Marks and Spencer, as well as by other prominent retail chains in Britain and Europe.

Two outstanding examples of successful Israeli textile companies exporting to Europe are the giant Polgat textile conglomerate, which first began selling fabrics to Marks and Spencer 15 years ago, and Delta Textiles, which in six short years has become the second largest producer of men's underwear in Europe.

Mr Israel Pollak, the chairman and managing director of Polgat Enterprises, reports that he expects sales to Marks and Spencer to reach £27m this year, following exports to the British chain of £21m in 1981. The company began exporting ready made goods back in 1970, after the earlier sales of fabrics. Today the exports include men's and ladies' wear, suits, skirts and leatherwear.

Mr Pollak attributes the success of the company's sales to Marks and Spencer, and to C and A in West Germany, to the relationship with the buyers. "It is not that of buyer and seller," he explained, "but of two partners working together for the same objective: satisfied customers. We are not fencing with each other, rather we are part of a team pulling together."

Polgat had exports last year of over £50m; some 40 to 45 per cent of that being to the UK, with M and S as the main customer.

On a much smaller scale, but growing at a tremendous rate, is Delta Textiles, the only firm in the world licensed to produce and sell with a Pierre Cardin label.

Mr Dov Lautman, the 44-year-old managing director, reports that sales to M and S this year should reach £4m, double sales sold to the British chain in 1981—and this is just Delta's third year selling men's underwear to M and S, and only the second for ladies' underwear.

By local standards the company has recorded a phenomenal success and it has achieved this through concentrating on a narrow range of products: men's and boys' briefs, singlets and T-shirts, with ladies' briefs added more recently. Currently the company is testing ladies' and men's leisure T-shirts and boys' socks for export.

Delta has contradicted the conventional local wisdom that Israel's industrial future lies in high technology products. Mr Lautman explained: "Lord Sieff of Marks and Spencer put his finger on it when he said that what we need is not a sophisticated product, it is a sophisticated industry." M and S is an active partner in supplying technical assistance to develop the company's potential.

Both Polgat and Delta, like many other Israeli textile companies, employ many Arab women in their factories. In both cases they have spread their plants around the country to reach these pools of labour when they have exhausted the resources of the area around their main plants.

More than a third of Polgat's 6,000 workers are Arabs, with some of the plants located in Arab villages. In Delta's case about 60 per cent of the employees are Arabs, and 10 small sewing plants have been set up in Arab villages in the Galilee.

Both companies vigorously deny charges, levelled against them from time to time, that they use Arab labour because it can be obtained more cheaply than that of Israeli Jews. "There is only one wage scale in our factories, as laid down in the collective agreements for the textile industries," retorted Mr Lautman.

"All our workers, be they Arabs or Jews, earn the same," Mr Lautman said, adding "all are transported to and from work, all get subsidised meals and all function in air-conditioned premises."

Another Delta executive pointed out that, at the start of the company's operation, 10 Arab girls were sent to the U.S. for training and returned fully qualified to handle highly technical jobs. They are now in responsible positions.

Shopping in Marks and Spencer . . . one of the Israeli textile industry's growing outlets.

China starts purge of Gang's supporters

By Tony Walker in Peking

A CLEAR INDICATION that the Chinese authorities have embarked on a purge of lesser officials alleged to have been associated with the disgraced Gang of Four, has been given by the dismissal of the management of a fishing company in the large coastal city of Tianjin.

Reports are now circulating in Peking that a huge "rectification campaign" is under way aimed at re-indoctrinating millions of officials who joined the Communist Party during the 11 years of the Cultural Revolution.

It was expected that such a process would begin after the trial of the Gang of Four just over a year ago. But political opposition apparently hampered efforts by the dominant faction in the Chinse leadership to launch a full-scale "re-education campaign."

The Communist discipline inspection commission under the aged Chen Yun, a party vice chairman, has been reviewing the party membership of millions of officials who joined during the Cultural Revolution.

It is estimated that the party almost doubled in size during the 11 years to 38m, making it the largest and most unwieldly Marxist-Lenninist organisation in the world.

A report of the sacking of the Tianjin fish company's management, carried prominently on the front page of yesterday's People's Daily, follows a report last week of the banishment from party and managerial positions of a former Red Guard who was alleged to have engaged in acts of violence during the Cultural Revolution.

The People's Daily said that Yang Heng, the party secretary and director of the fish company, and deputy directors Ma Zhiecheng, Liu Zhengxiang and Zhou Yun Hong—all alleged supporters of the Gang of Four—had lost their jobs and been forced out of the party.

The paper attacked the municipal leadership in Tianjin which, it alleged, protected the management of the fish company by making a false report on its activities.

An article accompanying the report said that the failure of the municipal authorities to act against the fish company indicated that "ideological and organisational problem still existed in the city." The paper called for more rigorous investigation of enterprises.

Saudi expenditure 'needs 7m b/d oil output'

BY RICHARD JOHNS, MIDDLE EAST EDITOR

SAUDI ARABIA will require oil output of 7m barrels a day, if it is to maintain expenditure at the present rate in real terms and to carry out development programmes on schedule over its next financial year, starting April 24, according to diplomats in Jeddah.

The calculations about Saudi Arabia's short-term financial prospects are in contrast to the recently generally held assumption that an output of 6.2m b/d to 6.5m b/d would be sufficient to cover the kingdom's current budgetary requirements, not to mention the widespread feeling that production should be reduced ot 5m b/d.

The Saudis reduced the ceiling on output from the fields operated by the Arabian American Oil Company to 8.5m b/d last November, following adoption of a reunified pricing system by the Organisation of Petroleum Exporting Countries, and to 7m b/d at the recent extraordinary conference of Opec in Vienna.

Any drop in production in support of Opec's price structure and the $34 per barrel reference price for more than a short period of two to three months would probably necessitate drawing on the kingdom's substantial foreign assets.

Either a slowdown in spending or dipping into reserves would mean a change of policy as reasserted as recently as last Thursday by Mr Mohammed Aba al Khail, the Minister of Finance. "We will not cut our spending and we will not take from our reserves," he said.

Nevertheless, the diplomats' calculations have been given greater weight indirectly by Mr Aba al Khail, who is also quoted as saying that state expenditure this year would exceed budget estimates. In addition, senior officials report intensified efforts by Ministry of Finance inspectors who are posted to all departments to curb waste and extravagance.

In an interview last week, Mr Aba al Khail said expenditure this year would exceed the Rials 298bn (£48.4bn) allocated in the budget for the fiscal year 1981-82, but still within actual revenue which would be higher than the Rials 340bn originally projected.

Because of the high rate of Aramco production, averaging 10m b/d in the first six months of the financial year, total Government receipts, about 90 per cent of them from petroleum revenues, are likely to be in the region of £64bn to £67bn it is believed.

The Finance Minister did not elaborate, but evidently took account of military imports and capital transfers, mainly aid, which are not covered by the published budget. Aid is running at a rate far higher than the recent annual one of £2.8bn because of substantial soft-term loans and grants to Iraq over the past year amounting to as much as £5.6bn.

Sheikh Ahmed Zaki Yamani, the Oil Minister, has indicated that the kingdom would be prepared to lower output further in support of fellow Opec members' levels of production, particularly that of Nigeria.

At the same time, it is denied by officials that Saudi Arabia has joined Kuwait, the United Arab Emirates and Qatar in offering £555m of short-term financing to Nigeria.

West Bank violence may spread to Israel today

BY PATRICK COCKBURN IN JERUSALEM

VIOLENCE in the West Bank and Gaza Strip could spread to Israel itself today because of strikes and demonstrations planned to commemorate the shooting of six Israeli Arabs during clashes in 1976 over the expropriation of Arab land.

The 600,000 Arabs within Israel are mainly concentrated in the North around Nazareth and remained largely passive during last week's disturbances in the occupied territories.

The Government yesterday warned employees against taking part in the strikes and claimed that a majority of the 54 local Arab councils were opposed to the protest.

Although the so-called "land day" is officially designed as a protest against the expropriation of land from Israeli Arabs, Palestinian leaders are clearly hoping for a demonstration of support among Arabs within Israel itself.

The Government maintains that violence in the West Bank and Gaza is incited by the Palestine Liberation Organisation whose authority is under threat.

● Lord Carrington, Britain's Foreign Secretary, flies to Israel today for a two-day visit.

Amex forecasts Opec deficit of up to $30bn

BY OUR FOREIGN STAFF

MEMBERS of the Organisation of Petroleum Exporting Countries could run an overall current account deficit of close to $30bn (£16.7bn) this year, according to the latest American Express Bank Review.

Such a large deficit would result in Opec members selling foreign investments, "the speed and extent of which will depend on the distribution of the Opec current account deficit."

The review believes that the so-called "high absorbers" (generally those with the largest populations) are most likely to be forced into selling short-term investments. It has calculated that those countries have total investments of about $100bn, only 30 per cent of which are in long-term instruments.

If the review's projected 1982 deficits are correct it estimates that up to one-third of short-term investments held by "high absorbers" may have to be liquidated. "It is highly likely that certain countries will also be forced to sell off long-term assets, possibly at a loss."

It further predicts a shift in investment policy by the "low absorbers," such as Saudi Arabia and the other Gulf exporters.

According to the review those countries which do not have any immediate current account problems may begin to shift their investment mix towards shorter-term instruments.

Iraq cancels £67m order

BY ROGER MATTHEWS

IRAQ has cancelled a contract with General Motors of Canada for 12,000 Chevrolet Malibu cars worth about £67m. The order is now likely to be placed with Toyota of Japan.

The cars were destined for the families of soldiers who have died in the war with Iran. Each family which has lost a son receives a Chevrolet Malibu, a free plot of land and an interest-free loan to build a house.

Some 13,000 Malibus have already been shipped to Iraq but the authorities in Baghdad say they will not accept any more because of mechanical defects.

The total order for Malibus—25,000 until yesterday's cancellation—provided one of the more accurate yardsticks for measuring Iraq's casualties in the 18-month war.

Toyota is already a major supplier to Iraq and has also benefited from the war. Most Iraqi officers who complete six months active service are given a Toyota car.

AMERICAN NEWS

Reagan expected to back new round of arms talks

BY REGINALD DALE, U.S. EDITOR IN WASHINGTON

PRESIDENT Ronald Reagan is expected to announce his support for a new round of strategic arms reduction talks with the Soviet Union at a news conference set for tomorrow evening.

The move is seen in Washington as designed both to counter recent nuclear disarmament initiatives by President Leonid Brezhnev and to placate the growing movement in favour of a nuclear freeze in the U.S.

Mr Reagan is most unlikely, however, to go as far as the movement's mainstream, which wants an immediate freeze on all nuclear weapons on both sides, followed by major reductions.

A bipartisan, non-binding resolution to this effect, sponsored by Senators Mark Hatfield of Oregon and Edward Kennedy of Massachusetts, has already won the support of 20 Senators and 154 members of the House of Representatives.

The Administration has rejected this approach on the grounds that it would freeze the Soviet Union in a position of nuclear superiority—by as much as six to one in Europe—removing any incentive for Moscow to come to the negotiating table.

Mr Reagan has not abandoned his view that the only way to deal with the Soviet Union is from a position of strength.

The Hatfield/Kennedy approach would mean abandoning plans to deploy a new generation of American Cruise and Pershing missiles in Western Europe, leaving the Soviet Union, with its 300 SS-20s, a monopoly of intermediate range nuclear weapons in Europe.

It would also mean cancelling the MX missile and the B-1 bomber, two main elements of Mr Reagan's strategic programme.

On Wednesday, Mr Reagan is expected to fall in line with a less stringent, also bipartisan, resolution, first put forward by Senators Henry Jackson of Washington and John Warner of Virginia.

This calls on the Administration to "propose to the Soviet Union a long-term, mutual and verifiable nuclear forces freeze at equal and sharply reduced levels."

American development bank seeks more cash

By Peter Montagnon in Cartagena, Colombia

SR ANTONIO ORTIZ MENA, President of the Inter-American Development Bank, yesterday called for support from its member-countries for a further increase in the bank's capital. He said this was needed more badly than ever because of the difficult economic problems facing borrower nations in Latin America.

Without a capital increase, convertible currencies available to the bank next year would not be sufficient to meet Latin America's vast financial needs, he told the annual meeting in Cartagena, Colombia.

The Bank has already identified projects with a total cost of $5bn (£2.8bn) for possible financing during 1983. This would involve some $3bn in Inter-American bank financing.

Therefore he said the bank's resources needed to be increased especially given the gloomy economic outlook for the region as a whole, its rapid increase in population and the growth of its big cities.

"I should like to stress the importance in coming years of maintaining a stable growth rate of Inter-American Bank operations," he said. This had become particularly important for the relatively less developed and limited market countries where the bank has in recent years become a stable and very important source of external financing.

In an apparent response to U.S. pressure for the bank to devote less resources to concessional lending, he said that the region's poorer countries face far more acute balance of payments problems than those prevailing when the bank resources were last increased.

"It is thus indispensable that a special effort be made to sustain an increasing flow of concessional programmes to those countries. The bank's role as a provider of concessional capital and institutional assistance will continue to be vitally important to these countries in the year to come."

Jimmy Burns examines a diplomatic furore

Deadlock over Falkland Islands

A RELATIVELY minor incident involving events surrounding the British-owned Falkland Islands has blown up into a diplomatic storm of unprecedented proportions.

Yesterday, Britain and Argentina were still in diplomatic deadlock, after a meeting between Sir Anthony Williams, the British Ambassador, and Argentina's Foreign Minister, Sr Nicanor Costa Mendes—the ninth over the past week—failed to produce a solution.

The incident which sparked the current row between Britain and Argentina was the landing on the island of South Georgia, a Falklands dependency, of some 40 Argentine scrap merchants. Most of the scrap merchants left the island several days later but between six and 10 are said to have stayed behind.

Last week, the Foreign Office accused the Argentines of an "illegal landing."

The scrap merchants had reportedly not received the necessary clearance before establishing a base camp and hoisting the Argentine flag.

Two days later, a small group of islanders in the Falkland capital of Fort Stanley (pop. 1,000) unlocked the main door of the offices of the Argentine transport carrier, hoisted a British flag, and scribbled a message: "Tit for tat."

Argentina's Foreign Minister described the situation as "tense and grave" and there were reports over the weekend that the Argentine navy had despatched two corvettes, two destroyers and one submarine to the area.

The British naval presence near South Georgia has so far been restricted to HMS Endurance, a geological research ship armed with two lightweight Bofors guns.

Negotiations between Britain and Argentina over Argentina's claims to the Falkland Islands have taken place on and off since 1977. Yet it has become increasingly clear that a great divide separates British diplomacy on the one hand, and deep-rooted Argentine motivations on the other.

The Argentine military regime's current stand over the Falkland Islands coincides with its increasing unpopularity on the domestic front and the announcement of a mass trade union protest rally by the trade unions.

Officially, the Argentine Government has denied that the scrap merchants were sent as an "invasion" force. However, the incident was preceded by veiled threats from Argentine officials in response to what they saw as Britain's continuing diplomatic apathy.

British diplomacy has been finally stirred and an air of satisfaction pervades the Argentine Foreign Ministry. But there is a danger that nationalist war cries may cloud the real issues at stake and take one of the sides to a point from which return will be difficult.

Notes from Hugh O'Shaughnessy's El Salvador election diary

Yearning for peace—but at a price

THE PRINCIPAL lesson from Sunday's polls in El Salvador, a lesson to be read on the faces of rich and poor who queued for hours in the sun to cast their votes, or who sometimes had to throw themselves to the ground as firing between the troops and guerrillas broke out at polling stations, was that all Salvadoreans are desperate for a peaceful solution to a civil war which has brought tens of thousands of deaths in the past two years.

No one who saw the women with babies waiting three hours for the polls to open in San Salvador's slum suburb of San Antonio Abad, or who saw the fight for voting papers among the crowds at the school in Apopa, could doubt that. Desperation for peace was seen in the faces of the peasants who trudged for hours over mountains to their nearest polling station.

The question must be: What validity can there be in an election where the Left has to be absent from the poll because Left-wing candidates' lives are in danger, or where hundreds of thousands of refugees and people without documents are effectively disenfranchised?

Patrols still go on in El Salvador, even as the elections are being held.

● San Salvador in the evening is an eerie place. People struggle home to keep out of danger. In vans and trucks loaded to the gunwales and in private cars they rush home to escape being caught in fire fights between guerrillas and Government forces. The streets are left to the National Guard in their distinctive leather leggings or to the red beretted Atlacatl Battalion, the one really effective practical ?? of the Salvadorean army.

● The voting on Sunday took place amid scenes of scarcely believable natural beauty. At dawn, the crowing of the cocks mingled with the sound of machine gun fire as the sun came up and bathed the volcano on which San Salvador is built in a cool red light. The trees are covered with blossoms of red, blue and purple and nature seems to be mounting an effort to counterbalance the ugliness of Salvadorean politics.

● "The Christian Democratic Party is heavily influenced by Marxism and Leninism and President Duarte is an agent of international communism," said Major Roberto d'Abuisson. Why is Major d'Abuisson referred to sympathetically by many journalists as Major Bob?

● The British observers of the Salvadorean election, Sir John Galsworthy, a former ambassador, and Professor Derek Bowett of Queen's College, Cambridge, say: "They have been thoroughly enjoying themselves" during their mission and that the polls have had an "almost festive character." Perhaps the delegates were not able to talk to orphans or refugees or to visit El Playon.

In San Jose de la Montana, behind a smart middle-class church in one of the better residential districts, 1,085 refugees, most of them children under the age of ten poke about, many naked, most hopeless, on a shrivelled field surrounded by shacks of cardboard hidden away from human sight.

On Thursday they were joined by nearly 100 other women and children from a Catholic retreat house nearby which the soldiers wanted to take over as a command post. The nun in charge of them managed to rescue 200 of their chickens but the tomatoes and carrots they were growing in their small vegetable patch had to be left behind. A small tragedy, but not an uncommon sort of event.

At El Playon, a black lava field 30 minutes' drive from San Salvador, there is the well known dumping ground for the corpses of victims of the death squad. The vultures who gather on the lava, which lies like a mile-long dirty streak on the landscape, are fat and slow moving. They seem to have grown complacent as their meals are brought to them every day by truck. They pick the corpses to the bones which bleach in the sun. The Government has forbidden more bodies to be tipped at El Playon. The death squads may have a justifiable grievance. After all everyone knows El Playon and where else are the corpses to go?

● Major Roberto d'Abuisson says he regards the regional peace plan tabled by Sr Lopez Portillo, the Mexican President, as a grave intervention in Salvadorean internal affairs. But does he reject it? "I don't like it." But does he reject it? "I said I don't like it."

● In the Camino Real Hotel dozens of camera crews from the U.S. networks and many other journalists are put up. Everyday seems to be party day. Production assistants in short skirts and humorous sweaters joke with the crews and the journalists and it all looks like the Democratic Party Convention in Chicago. The contrast with the empty streets and fearful city outside is striking.

U.S. Government delighted with the poll

BY ANATOLE KALETSKY IN WASHINGTON

THE U.S. Government is delighted with what it sees as the success of the elections in El Salvador and is already hailing them as a vindication of its policy in Central America.

Whatever the final result of the balloting and the horse-trading between Sr Napoleon Duarte's Christian Democrats and the extremists who appear to have captured more than half the seats in the Constituent Assembly, the large turnout of voters has been hailed as "an extraordinary demonstration of the power of a democratic idea"

Television and newspaper reports of huge crowds waiting to cast their votes at the polling stations, despite the ever-present threat of guerrilla attack, will the Administration hopes, help to sway U.S. public opinion away from the belief that the leftists have strong support among the Salvadoran people.

But beneath the immediate satisfaction tere are misgivings aboutthe possibility of continuing with the U.S. policy of supporting the Salvadoran Government if the influence of the extreme Right becomes dominant.

Speaking as the votes were still being cast, on Sunday, Mr Alexander Haig, the Secretary of State, refused to speculate about what a victory for the extreme right would do to U.S. policy.

The situation was "in the hands of the Salvadoran people," he said, and the U.S. would respect their choice.

Redemption Notice

City of Oslo (Norway)

9⅝% Sinking Fund External Loan Bonds due May 1, 1985

NOTICE IS HEREBY GIVEN, pursuant to Fiscal Agency Agreement dated as of May 1, 1970 under which the above described Bonds were issued, that Citibank, N.A., Fiscal Agent, has selected by lot for redemption on May 1, 1982 through the operation of the Sinking Fund, $1,553,000 principal amount of said Bonds at the Sinking Fund redemption price of 100% of the principal amount thereof, together with accrued interest to the date fixed for redemption. The serial numbers of the Bonds selected by lot for redemption are as follows:

BOND NUMBERS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1414	3365	4759	6469	8557	9547	10296	10872	11579	12514	12996	13890	14397	14907	15740	16466	18221
1474	3367	4802	6472	8559	9550	10298	10875	11581	12517	12999	13895	14403	14910	15756	16471	18230
1494	3369	4835	6479	8561	9554	10300	10878	11587	12523	13002	13897	14410	14913	15759	16485	18252
1497	3377	4838	6482	8563	9559	10306	10880	11589	12525	13004	13899	14414	14915	15761	16493	18254
1517	3381	4856	6484	8577	9564	10308	10883	11591	12528	13006	13902	14416	14917	15764	16495	18258
1522	3389	4858	6486	8582	9566	10310	10885	11595	12530	13016	13904	14424	14919	15768	16497	18262
1527	3394	4883	6488	8584	9569	10312	10887	11597	12537	13018	13906	14474	14924	15770	16514	18269
1557	3399	4885	6514	8597	9571	10316	10889	11600	12542	13020	13908	14480	14926	15772	16516	18271
1610	3401	4903	6636	8680	9573	10318	10891	11615	12546	13022	13912	14482	14928	15774	16518	18275
1749	3403	4905	6663	8797	9575	10323	10893	11617	12548	13024	13914	14572	14930	15784	16520	18280
1754	3409	4908	6673	8801	9577	10325	10895	11625	12550	13026	13916	14581	14932	15787	16526	18330
1765	3412	4910	6700	8803	9579	10327	10897	11627	12561	13028	13921	14586	14934	15789	16528	18379
1767	3414	4912	6702	8846	9583	10329	10900	11637	12566	13039	13923	14589	14937	15794	16530	18408
1770	3430	4914	6914	8897	9585	10335	10902	11647	12568	13041	13933	14591	14939	15797	16532	18412
1799	3433	4919	7018	8899	9587	10338	10904	11649	12570	13048	13935	14599	14948	15891	16534	18425
1822	3441	4922	7024	8950	9589	10341	10907	11803	12584	13071	13937	14601	14950	15897	16536	18478
1839	3444	4924	7050	8952	9603	10343	10910	11805	12591	13073	13939	14604	14953	15904	16541	18481
1841	3452	4930	7053	9072	9606	10345	10916	11893	12594	13075	13944	14608	14955	15909	16543	18485
1878	3679	5168	7055	9204	9614	10347	10918	11900	12596	13092	13947	14610	14957	15915	16548	18492
1911	3697	5170	7080	9227	9616	10362	10921	11924	12598	13095	13950	14613	14959	15917	16554	18499
1913	3700	5182	7104	9243	9626	10368	10924	11926	12600	13097	13953	14618	14962	15920	16556	18504
1918	3760	5184	7121	9264	9638	10372	10926	11928	12602	13109	13957	14622	14966	15922	16559	18542
1920	3770	5186	7129	9266	9641	10378	10928	11931	12611	13113	13961	14624	14968	15925	16574	18550
1925	3772	5188	7143	9268	9644	10381	10930	12011	12613	13117	13964	14627	14970	15927	16577	18557
1927	3774	5190	7145	9273	9646	10383	10933	12013	12635	13119	13966	14646	14975	15929	16580	18570
1929	3776	5192	7155	9275	9649	10397	10935	12020	12645	13121	13969	14649	14977	15931	16582	18577
1931	3778	5199	7160	9282	9651	10407	10937	12024	12647	13125	13973	14655	14985	15939	16585	
1938	3781	5202	7179	9292	9653	10413	10942	12035	12650	13132	13975	14657	14990	15946	16598	
1973	3784	5211	7187	9297	9659	10415	10944	12048	12653	13162	13977	14659	14992	15948	16605	
1975	3786	5215	7195	9305	9663	10421	10947	12061	12657	13164	13987	14667	14994	15952	16640	
1977	3788	5217	7233	9318	9665	10423	10951	12063	12659	13175	13990	14669	14996	15954	16682	
1988	3790	5219	7266	9321	9667	10428	10953	12065	12661	13177	13992	14674	15004	15956	16695	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	

On May 1, 1982 there will become due and payable upon each Bond selected for redemption the said redemption price, together with interest accrued to the date fixed for redemption. Payment of the redemption price of the Bonds to be redeemed will be made in such coin or currency of the United States of America as at the time of payment is legal tender for the payment of public and private debts thereon, upon presentation and surrender of said Bonds, with all coupons appertaining thereto maturing after the date fixed for redemption, at the Corporate Trust Office of Citibank, N.A., Municipal Bond Processing Window, 20 Exchange Place, 16th Floor, New York, N.Y. 10043 and subject to applicable laws and regulations, at the main offices of Citibank, N.A., in Amsterdam, Brussels, Frankfurt (Main), London, Milan and Paris. Payment at the offices of Citibank, N.A. in Europe referred to above will be made by check drawn upon a bank in New York City or by a transfer to a dollar account maintained by the payee with a bank in New York City.

On and after the date fixed for redemption interest on said Bonds will cease to accrue. Coupons due May 1, 1982 should be detached from the Bonds and presented for payment in the usual manner.

For the CITY OF OSLO (NORWAY)
CITIBANK, N.A.
as Fiscal Agent

March 30, 1982

DEREGULATION IN THE U.S.

Despite the promises, intervention goes on

BY DAVID LASCELLES IN NEW YORK

DEREGULATION, free enterprise, free markets: these are the watchword of the Reagan Administration. With momentous deeds like the ending of anti-trust proceedings against American Telephones and Telegraphs and IBM, and the abolition of oil price controls, the Administration seems to be practising what it preaches. Or is it?

Some people think not. Many of them are Mr Reagan's political opponents, but a growing number of disappointed free marketeers suspect Mr Reagan may already be backing away from his ringing campaign pledges because of political pressures and worries about the economy.

Critics point out that, far from clearing away the clutter of government intervention, he has interfered with the free market in several fields. He persuaded the Japanese to curb car imports; his lieutenants initiated dumping actions to protect the steel industry. He has also reneged on a campaign promise to do away with the minimum wage, a cause which is especially close to the hearts of free marketeers who claim it merely prices the marginally employable out of a job and adds to labour costs.

The gap between the rhetoric of "Reaganomics" and the reality has been pursued particularly by the Manhattan Institute, a New York-based research group with strong free market leanings. Last week it assembled a group of specialists in half a dozen industries who concluded that reality not only fell far short of the rhetoric, but that the Reagan Administration's record on deregulation has, if anything, been worse than that of the Democrat Carter Administration.

The points they made included:

● Transport. Administration appointees have stalled the deregulation of the trucking industry launched under President Carter. Many of the fixed pricing and route restrictions have been phased out, but the Interstate Commerce Commission which regulates road transport has not gone as far as it was supposed to. The fact that the Teamsters Union was the only major labour organisation to back the Reagan candidacy may have some significance. Unemployment in the trucking industry has soared.

● Financial services. Virtually no progress has been made in this area at all despite the Administration's claim that deregulation is urgently needed. Banks are still unable to offer a full range of banking services or do business wherever they want and, as a result, are losing out to unregulated competitors. Despite its more lenient line, the Securities and Exchange Commission has also done little to reduce the amount of superfluous paperwork required of publicly quoted corporations.

● Agriculture. Although the Administration says it wants to end production controls and price supports, it is pursuing essentially the same interventionist policies that have been in place since the 1930s. Falling crop prices and the parlous state of the farming industry are largely to blame.

● Energy. Mr Reagan's swift move to abolish oil price controls has been extremely successful in creating realistic energy prices without fuelling inflation but the Administration is dithering over a campaign pledge to decontrol natural gas, mainly because of concerns about energy costs.

● Defence. The Administration has failed to spur competition for government contracts or foster sufficient bureaucratic rivalry to cut procurement costs and reduce inefficiency. Much procurement is still dictated by "pork barrel" interests, like placing jobs in depressed areas.

Partisan though they may be, the Institute's findings shed a somewhat different light on Reaganomics. Indeed, the list could probably be expanded. In transport, the Administration has allowed U.S. carriers to move closer to international price cartels like IATA and the liner conferences, reversing the Carter policies. It has also delayed the abolition of some interest rate ceilings on bank deposits to spare hard-pressed savings banks unable to afford to pay more to their depositors.

In many cases, the Administration is powerless to act on its own, no matter how fiery its de-regulatory zeal. Opening up the banking industry will require sweeping changes in the law, and therefore the agreement of Congress which is not currently in a mood to jolt the economy. If anything, Capitol Hill is a bastion of pro-regulatory sentiment.

It is probably true to say, though, that the Administration's free market ardour has been cooled somewhat by the harsh realities of life in a United States beset by recession. With unemployment and bankruptcies soaring, the political constraints hardly need listing, though Mr Reagan might well launch a second round of de-regulation once the economy improves and the midterm elections this autumn are out of the way.

BOND DRAWINGS

CITY OF TURIN
U.S.$ 9% Bonds 1991

S. G. WARBURG & CO. LTD., announce that the annual instalment of Bonds for a nominal value of U.S.$500,000 have been met by purchases in the market to the nominal value of U.S.$148,000 and by a Bond drawing to the nominal value of U.S.$352,000.

The distinctive numbers drawn in the presence of a Notary Public are as follows:—

15	63	83	102	123	147	179	203	224	256
313	344	376	401	462	494	524	551	593	639
656	675	694	714	753	776	800	841	864	882
905	944	1000	1034	1063	1090	1121	1154	1213	1266
1286	1311	1332	1382	1411	1445	1471	1503	1531	1560
1576	1596	1614	1633	1652	1686	1705	1726	1751	1771
1790	1807	1863	1893	1905	1930	1983	2073	2109	2146
2204	2233	2271	2313	2364	2447	2493	2535	2570	2616
2654	2689	2707	2735	2767	2784	2806	2881	2901	2926
2953	2999	3063	3119	3135	3204	3254	3281	3316	3352
3386	3405	3425	3476	3494	3639	3679	3721	3801	3820
3841	3864	3892	3911	3930	3947	3967	3985	4004	4023
4080	4122	4201	4243	4296	4345	4364	4382	4402	4422
4441	4456	4487	4529	4550	4569	4604	4627	4646	4695
4781	4800	4909	4935	4954	4973	4991	5027	5065	5114
5142	5210	5229	5251	5269	5289	5315	5381	5400	5416
5445	5465	5484	5516	5543	5579	5603	5621	5639	5663
5695	5715	5733	5752	5771	5791	5823	5841	5862	5909
5926	5945	5967	5985	6005	6024	6042	6072	6090	6109
6129	6145	6172	6216	6339	6359	6389	6407	6427	6455
6505	6554	6575	6594	6613	6632	6671	6715	6793	6812
6906	6929	6964	6993	7016	7099	7123	7143	7172	7199
7220	7236	7255	7274	7291	7310	7349	7386	7453	7810
7829	7846	7864	7882	7901	7919	7836	7954	7972	7990
8007	8026	8043	8061	8080	8099	8115	8133	8151	8170
8187	8204	8223	8241	8259	8276	8293	8312	8331	8349
8367	8384	8402	8421	8439	8454	8473	8491	8510	8529
8545	8564	8582	8600	8619	8634	8652	8671	9689	8705
8725	8743	8762	8780	8795	8814	8832	8850	8889	8885
8903	8923	8941	8959	8975	8993	9012	9030	9046	9065
9083	9101	9120	9136	9155	9173	9191	9209	9225	9244
9263	9281	9296	9316	9334	9353	9370	9387	9406	9424
9442	9460	9476	9494	9514	9532	9550	9567	9586	9604
9621	9639	9656	9674	9692	9710	9729	9747	9785	9782
9801	9819	9835	9854	9871	9889	9907	9926	9945	9962
9980	9999								

On 1st May, 1982 there will become due and payable upon each Bond drawn for redemption, the principal amount thereof, together with accrued interest to said date at the office of:—

S. G. WARBURG & CO. LTD.,
30, Gresham Street, London EC2P 2EB,

or with one of the other paying agents named on the Bonds.

Interest will cease to accrue on the Bonds called for redemption on and after 1st May, 1982 and Bonds so presented for payment must have attached all coupons maturing after that date.

U.S.$4,500,000 nominal Bonds will remain outstanding after 1st May, 1982.

The following Bonds drawn for redemption on the dates stated below have not as yet been presented for payment.

1st May, 1977
Nos: 316 3535
1st May, 1978
Nos: 182 2780
1st May, 1981
No: 2731

30, Gresham Street, London EC2P 2EB

30th March, 1982

WORLD TRADE NEWS

Gatt urges change of approach to economic policy

BY PAUL CHEESERIGHT, WORLD TRADE EDITOR

WORLD leaders were warned yesterday that simply dealing with high interest rates will not bring the international economy back to recovery.

The Secretariat of the General Agreement on Tariffs and Trade (Gatt), in its first assessment this year on trends in international trade, noted "an unfortunate tendency in public policy discourse to focus attention on a single, simple explanation to the virtual exclusion of all others."

What is needed, the Gatt Secretariat argued, is a more *comprehensive* approach to economic policy analysis, citing the *separation of trade* issues on one hand and financial issues on the other.

As an example, Gatt raised the question of access *to foreign* markets. Debtor countries cannot service their debt unless they can earn foreign exchange through trade.

This sideswipe at the tendency of the developed countries to restrict access to basic export commodities from the developing countries, when local industries are under competitive threat, comes against the background of the first year-on-year decline in world trade since 1958.

World merchandise trade was valued at $200bn (£105.2bn) in 1981, Gatt said, or 1 per cent less than in 1980. The decline *followed* an increase the year before of 20 per cent.

The general message of the Gatt suggestions for trade policy was the *necessity for countries* to abide by internationally agreed rules. Accommodations are being reached between countries outside the rules, Gatt said, in a reference to devices like voluntary restraint agreements to control exports.

The Secretariat is clearly seeking to influence the build-up to the Gatt ministerial conference next November. This is likely to be influential in *shaping the trading system for* the next decade.

This conference will be rated by some as a failure unless there is agreement progressively to roll back the bilateral restraint agreements which have proliferated over the past decade.

The desire to encourage trade leaders to see trade in global terms and not as a matter of bilateral imbalances or bilateral reciprocity is a scarcely-veiled attack on the Reagan Administration's recent dalliance with bilateral reciprocity.

Row over Cyprus Airbus purchase

By Andreas Hadjipapas in Nicosia

THE CYPRUS Government has given its backing to a decision by Cyprus Airways to buy two Airbus A-310 aircraft and has taken steps to provide a guarantee for the financing of the deal.

The move comes amid strong public criticism that the purchase amounted to "dangerous and insecure investment."

According to the government, the value at 1984 prices—the year of delivery—for the two aircraft and spares will be in the region of C£54m (£65m).

Opposition claims put the cost at almost double that figure and say it would mortgage for many years the island's shaky economy.

Mr Glafkos Clerides, the *Opposition leader, has urged* President Spyros Kyprianou *to avoid involving the state* in such an "unnecessary economic adventure that could prove fatal to the national economy."

He believed there were alternative solutions.

But Mr Kyprianou said both local and foreign experts agreed that the Airbus solution was "the best" for Cyprus Airways if it was to maintain its independence.

Shipbuilding expansion disturbing, says report

BY ANDREW FISHER, SHIPPING CORRESPONDENT

EXPANSION OF shipbuilding facilities by countries like South Korea was *highlighted as* "the most disturbing fact" about *present world over-capacity* in the annual report of Lloyd's Register of Shipping.

The new Daewoo shipyard in *Korea, for example, which can* build as much as 2m gross registered tons a year, is bound to attract orders, said Mr Robert Huskisson, the chairman, in the report, published yesterday.

"But inevitably the work has to come from shipyards struggling for orders in another part of the world." World overcapacity in the industry was "still substantial."

Nor did he expect any improvement unless the upturn in the world economy was greater than expected. His comments come as new shipbuilding orders have started to ease off after a recovery from 1979.

Mr Huskisson said that the same problem of growing over-*capacity was true of the offshore* construction industry, though to *a lesser extent.* Far Eastern companies were now moving rapidly into the sector.

Although the industry was undergoing tremendous expansion, "the entry of efficient rig builders in the Far East is going to increase the pressure on their opposite numbers in other countries."

The contraction of shipping and shipbuilding in the past few years had, he said, made the industry leaner, healthier and more efficient in some ways.

"For owners, competition is so fierce now that great pressure has been put on management to manage with the utmost possible efficiency," he added.

Since the fleets of developing countries would continue to *increase, traditional flag fleets* would have to be as efficient as *possible in future.*

He said it was sad but not *very surprising to see the* diminution of "the once mighty British flag fleet." He added: "It is difficult to see a domestic reversal of the present trend."

The report said that the world merchant fleet showed a marginal net rise last year to nearly 421m grt, despite scrapping and losses at sea. Of this, more than 14m grt was laid up at the end of December against only 5m grt the previous year.

While enough ships were being built to give a number of builders enough work for at least two years, it would be hard to maintain this momentum.

Increasingly keen competition could be expected between traditional shipbuilding countries and Korea, *China and* Taiwan. "Nevertheless, Japan is *unlikely to relinquish readily* its position as market leader."

On the dry cargo side, where freight rates have been depressed for some time, the *Lloyd's Register* report noted that the decline in oil trade *meant combination* carriers were being switched to this market.

DELIVERY SCHEDULE OF WORLD ORDER BOOK

	For delivery during					World
	1982	1983	1984	1985 & after	Total	fleet at 1.7.81
Oil tankers	4.93	1.96	0.20	0.08	7.17	171.70
Ore and bulk carriers	9.28	6.03	1.64	0.12	17.07	87.25
Bulk/oil carirers	0.98	0.74	0.06	—	1.79	25.84
Container ships	0.88	0.59	0.14	—	1.62	12.29
General cargo	1.53	0.58	0.06	0.00	2.18	79.57
Specialised carriers	1.43	0.65	0.41	0.33	2.83	10.57
Total order book at Dec. 31, 1981	20.7	11.33	2.66	0.47	35.41	420.83

Source: Lloyd's Register

China, Sweden sign investment protection agreement

BY TONY WALKER IN PEKING

CHINA AND Sweden yesterday signed an agreement for the mutual protection of investments, the first such agreement the Chinese have entered into.

It is likely to be followed by others as nations seek to add a layer of protection to their investments and countries known to be negotiating agreements include Japan, West Germany and Switzerland.

Mr Lars Stalberg, Commer*cial Counsellor at the Swedish* Embassy in Peking, said yesterday that the agreement would create a favourable "psychological atmosphere" for companies from Sweden interested in investing in China.

"We're dealing here with a country where the legal framework for investment is still developing," he said. "It seems obvious to us that an invest*ment protection agreement* could be a useful supplement."

Mr Stalberg said yesterday's agreement was similar to those that Sweden had entered into with Yugoslavia, Egypt and Pakistan.

The agreement lays down principles to be followed in the event of a host country deciding to expropriate the assets of a foreign investor.

The agreement also includes procedures to be followed in the case of a government-to-government dispute over investment. However, there is no specific provision for arbitration to cover disputes between a Swedish company or national and the Chinese authorities.

According to Mr Stalberg, this will be taken care of in a supplement to the agreement once the Chinese have signed an international convention on the settling of disputes.

Yesterday's agreement was signed by Mr Sten Sundfeldt, the Swedish Ambassador to Peking, and Mr Wei Yuming, Chinese Vice-Minister of *Foreign Economic Relations* and Trade.

Japanese ministers discuss market access demands

BY RICHARD C. HANSON IN TOKYO

JAPANESE Economic Ministers in Prime Minister Zenko Suzuki's Cabinet will today begin thrashing out ways of satisfying demands from Europe and the U.S. to open their market to more Western imports.

The meeting follows the return last week of Mr Yoshio Sakurauchi, the Foreign Minister, from the U.S., and Mr Masumi Esaki, a senior Liberal Democratic Party politician, from Europe.

Both will *report on the* results of their discussions on trade, *now the most sensitive* problem Japan faces in relations with the West.

It is not yet clear what form the *Japanese response* will take, but it does seem likely *that the Government will try* to formulate at least a "short-term" package of measures before the seven-nation economic summit in Versailles in June.

Prime Minister Suzuki: Cabinet holds talks.

Government officials have already indicated this "package" may in fact include items which may trickle out in the next few weeks.

But any *interim measures* will still leave the longer-term problem of answering *calls* from the West for fundamental changes in Japanese trade practices and attitudes.

It is unlikely that Japan will be prepared to give in on such U.S. demands as abolishing quotas on beef and oranges, which would upset the domestic farm industry. Japan would prefer to offer larger quotas.

The Government appears to be trying to isolate as many specific complaints as possible from Europe for possible action.

This may mean it is preparing to make more concessions on such items as high tariffs on confectioneries.

Japan-U.S. venture to be set up

MITSUBISHI *Electric*, a major electrical machinery maker, will form a joint venture with Westinghouse Electric, of the U.S., to manufacture parts for gas circuit breakers in Japan.

This is the first joint venture between the two. Mitsubishi-Westinghouse SGC Company, with an equally shared paid in capital of ¥1bn (£2.3m) is expected to have a turnover of (Y2-5bn) once production *begins* in 1983.

● Japan is to extend a Y60bn (£138m) loan to China to help finance construction and *expansion* of seaports and railways, according to the *Foreign Ministry*, Reuter reports.

Official notes for the loan, the third yen loan to China, would be exchanged soon. The loan, two-thirds in the form of project credits and one-third commodity credits, carries annual interest of 3 per cent and covers 30 years with a 10-year grace period.

Bid to boost Malta's tourist industry

By Godfrey Grima in Malta

BRITISH TOUR operators are cutting their prices for holidays to Malta in a bid to boost bookings for the summer.

Malta this year is threatened with a 50 per cent drop in tourist arivals from Britain which last year totalled 514,000. This could have a drastic effect on the island's *developing economy* which, last year, netted a gross M£112m (£155m) from tourism.

The first *two operators to* announce revised rates for *Maltese* Holidays were Exchange Travel and Thomas *Cook*. Exchange has brought down the cost of a 14-day stay *for two at a first-class* hotel by as much as £188.

The price of a 14-night stay for two at a self-catering flat *has been cut by* £128. Exchange Travel have also *announced reductions* of up to 50 per cent for children.

UK-led group to design Gibraltar strait tunnel

BY ALAN ELLIS

THE CONTRACT to design a tunnel planned to go under *the* Strait of Gibraltar between Spain *and Morocco* has been awarded to an international consortium led by UK consulting engineers.

The consortium is the Groupement d'Etudes du Détroit (GED). Set up last November, it comprises Mott, May and Anderson International (MHAI), of Croydon, Surrey, Intecsa, of Madrid, and five Rabat and Casablanca-based Moroccan companies — CAET, Incomag, Progema, Socopoen and Techmprojet.

The appointment was made by the Sociedad Estudios y *Comunicaciones* del Estrecho de Gibraltar (SECEGSA), the Spanish study group, in Madrid at the weekend.

Work on the project will start immediately and is scheduled to be completed by October.

The commission is for the preliminary design of a bored tunnel, for a railway only.

The designers *have* been given three options, each with a service *tunnel* and a *drainage* tunnel. These are for a single-*track rail* tunnel, a twin-track rail tunnel and two separate tunnels each containing a single track.

UK NEWS

Plessey, GEC win £20m British Telecom orders

BY JASON CRISP

PLESSEY AND GEC have each won £20m orders from British Telecom for the Monarch PABX — small, advanced electronic office switchboard. Total orders for Monarch, launched at the beginning of last year, are £120m.

The Monarch PABX (private automatic branch exchange) was developed at British Telecom's research laboratories at Martlesham, near Ipswich. It is one of the most advanced exchanges in the world with all-electronic digital switching. Its prospects in world markets are good.

Until the launch of Monarch 15 months ago, British Telecom was strongly criticised for its delay in offering the type of sophisticated exchange which had long been available in the U.S. and other countries. Although it still has a monopoly in the PABXs with fewer than 100 lines, British Telecom now offers three electronic exchanges.

One, the Herald which is smaller than the Monarch, was developed and manufactured by TMC, a subsidiary of Philips, the Dutch electricals giants, and is also made by Standard Telephones and Cables, part of ITT.

The second, the Regent, is a similar size to Monarch but less sophisticated. It is made by Mitel, a fast growing Canadian company founded by two British engineers, now building a large factory in Wales. Last week Mitel announced it had won a further order for Regent worth £15m in addition to its first order of £10m.

Mitel's entry into the UK market was fiercely opposed by British Telecom's traditional suppliers GEC, Plessey, STC and TMC.

Last week TMC announced it was about to deliver its 10,000th Herald system to British Telecom. The Herald exchange can have up to 16 exchange lines and up to 68 extensions and the Monarch up to 30 exchange lines and 120 extensions.

The monopoly on the supply of PABXs is to be lifted by the Industry Secretary next summer. Although several large PABXs are already sold directly by companies including IBM, ITT, Philips and Plessey, British Telecom is evaluating a further six on behalf of the Department of Industry. The evaluation includes Mitel, Harris, Ferranti-GTE and Thorn-Ericsson.

These small electronic exchanges offer many of the advanced facilities available on larger ones including abbreviated dialling, conference calls, call diversion and repeat of last number dialled.

British Telecom has installed 2,000 Monarch exchanges. Monarch will be compatible with the new generation of public exchanges — System X — now being installed as part of British Telecom's modernisation programme. Capital investment by British Telecom now exceeds £2bn a year.

NCB to cut household solid fuel prices by 7%

BY MARTIN DICKSON, ENERGY CORRESPONDENT

THE NATIONAL Coal Board is cutting the price of solid fuels for household customers by £5 to £8 a tonne—about 7 per cent—between April and July to boost sales in this slack summer period.

It is the second year running the NCB has done this. When the cut-price scheme was introduced last year, the first time since 1973, it proved a major success, with sales up 15 to 20 per cent over the same period of 1980.

This year the board is cutting £5 a tonne off house coal, £5 to £7 off anthracites, £7 off Welsh dry steam coal and £7 to £8 off manufactured fuels such as sunbrite and phurnacite. The reductions apply from April 12 to July 31.

The board last raised its household fuel prices on November 1, by 5.5 to 6.5 per cent. Prices are not expected to go up again until November.

NCB sales to the household sector have dipped because of the recession. The house coals market dropped from 4.6m tonnes in 1980-81 to 4.5m tonnes in 1981-82 and is not expected to increase in the coming year.

But the Board's UK markets for power station and general industrial coals have been hit much harder than the household sector.

The result has been a drop in total NCB UK sales from 113m tonnes in 1980-81 to 110.75m tonnes in 1981-82. The figure is expected to rise to 114m tonnes in the coming year.

No case for privatising CAA, says chairman

By Michael Donne, Aerospace Correspondent

THERE IS no case for privatising the Civil Aviation Authority, according to Sir Nigel Foulkes, the retiring CAA chairman.

Commenting on his five years as chairman, Sir Nigel says in the authority's staff newspaper that he believes the CAA is now much better at controlling its costs.

"I believe we accept change more easily, tackle decision-taking more crisply, and take personal responsibility more resolutely. We've still some way to go, but I have little doubt that our managerial standards will match our technical in a few more years."

Discussing the problems of running a public sector body, Sir Nigel, who was chairman of the British Airports Authority for five years before joining the CAA, says the difference in what he calls the "horizon of decision" is wide—about six to 18 months in politics and three to five years in any substantial business.

"The Government shareholder and the public enterprise are in different worlds and their priorities are really incompatible. The closer they get to each other the more frequently these two time-scales collide."

The "cultural gap" between public enterprise managers and civil servants is very wide, adds Sir Nigel. "Their training and priorities are designed for different tasks. It is not the fault of either group that a 'dialogue of the deaf' so often adds confusion to the relationship between governments and corporations.

"The British seem to have no natural aptitude for public ownership of enterprises. We don't like to admit the facts of the dilemma so we go on making the same mistakes."

Despite the uneasy relationship between any British government and any non-governmental public body which is expected to be run on quasi-commercial lines, "I think the CAA and the Department of Trade handle the problems better than most."

Sir Nigel is also strongly opposed to any merger of the CAA with the British Airports Authority. The BAA is primarily concerned with the passenger, while the CAA is a "multi-task technical conglomerate primarily concerned with the airline and the aeroplane."

Planning an oasis for industry in Preston

Nick Garnett looks at plans for developing redundant docks

THE LANCASHIRE town of Preston is taking stock of its industrial future.

Proposals for a huge redevelopment scheme to convert its redundant docks into a manufacturing, community area are being examined by the council.

The project highlights two aspects of the way recession and industrial decline in some of Britain's older commercial areas have influenced local planners and developers.

First, how small and medium-sized town economies should be revitalised to protect them against the effects of industrial structural changes.

Second, how public resources are utilised to create new factory space in developments which are so close to each other that they create unwanted competition in attracting new companies.

Preston's docks, 14 miles up the River Ribble from the Irish Sea, were closed last October after 100 years of local authority control and a history of near-continuous lossmaking.

The 45 acres of water and the 350 to 400 acres of land around it were immediately marked by the council for redevelopment.

The target was not just a big industrial estate but the creation of a motor with which to regenerate the economy of Preston and its immediate hinterland and put it on a more secure footing.

It is similar to the way Merseyside Development Corporation sees the future development of Liverpool's Albert Dock, though this would represent a smaller contribution to a much bigger region with a broader economic infrastructure.

Four consortia have been short-listed at Preston (population 126,000) their schemes ranging in cost from £55m to £100m. They envisage the creation of 2,000 to 6,000 permanent jobs.

The money would have to come from the private sector though the Government has given council permission to borrow an extra £1.75m as special capital allocation.

At the same time the Central Lancashire Development Corporation last week purchased Courtaulds Red Scar mill in Preston for £1.65m.

The corporation is sure it can fill the mill's division of 45 factory units. Preston council sees this development as a competitor to a new dockland industrial area, attracting new industry.

The problem with Preston's economy is not a regionally abnormal unemployment rate. At 12.1 per cent it is about the national average, though the redundancies announced at Leyland Vehicles to the south could raise that to an estimated 13.7 per cent.

However, it has two main weaknesses. It is very dependent on a few main employers—the three British Aerospace plants, Leyland Vehicles, GEC, the United Kingdom Atomic Energy Authority at Salwick, Miehle Goss Dexter the private printing machinery company, and Lancashire County Council, which has its headquarters there.

The town has recently seen the example of Burnley whose unemployment will leap following last month's announcement of 1,000 job losses at the Lucas Aerospace plant there.

If any one of these top industrial employers closed down, Preston's unemployment rate would rise by 5 or 6 per cent.

It has already felt the sting in the past few years with the shutdown of the Courtaulds' mill, the closure of Seddon Atkinson, AS Orr cotton mill and the Thorn Lighting factory. In a town which has never been a major manufacturing centre, for 28 per cent of employment Preston, like most of northern England is also short of high technology industries. Local councillors said the docks were Preston's "ace in the hole" and that the water environment there would give the right atmosphere for high and medium technology industries looking for pleasant surroundings.

The town was already witnessed one form of industrial shuffling when mail order firms swept into the old textile mills made empty after the war.

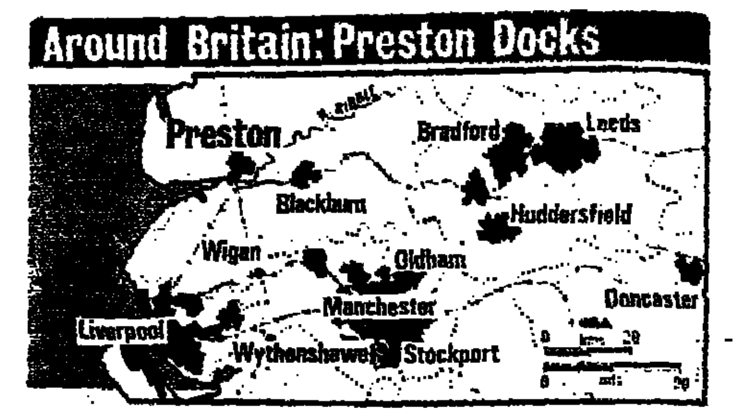
The four consortia whose proposals have been short-listed for a development scheme which would take up to 10 years to complete are Riverside Development, including Wimpey; the North of England Development Association in the form of Preston Guild Development, Henry Boot, and the John Mowlem group.

The consultants Debenham, Tewson and Chinnocks said last week that private capital from pension funds and other sources could be assembled. The Manpower Services Commission is already providing £500,000 for dock clean-up work.

The schemes nearly all include projects such as motels, hotels, marinas, sporting complexes, discos and housing.

If the council goes ahead with the project, it is well aware of the powerful marketing exercise that is required in a region where there are more factory "For Sale" signs than there are customers.

Around Britain: Preston Docks



London rent arrears up 60%

By William Cochrane

RENT ARREARS of council tenants in London are rapidly heading out of control, a survey said yesterday. The broad indication is that, at December 31, they were 60 per cent higher than a year before.

The survey published in the current issue of London Housing May issue, was carried out by Shelter and the London Tenants Organisation. It showed that, for 24 out of 34 London housing authorities, rent arrears in the calendar year 1981 rose by between 32 and 110 per cent.

Not all of the authorities produced figures on a calendar year basis. But the London Tenants Organisation said yesterday that a total up from £35.1m to £56.9m for all 34 authorities—including 12 on different year-ends—illustrated the scale of the problem.

The survey linked the rises directly to the "massive" rent increases of the past two years. The London Tenants Organisation said every study of rent arrears has shown that the overwhelming cause is poverty.

More than 60 per cent of London's council tenants, the survey said, are living on or below the poverty line.

Training sought for all school leavers

BY ALAN PIKE

EMPLOYERS and trade union leaders have reached a critical point in their attempts to agree new training arrangements for school leavers, Mr Geoffrey Holland, director of the Manpower Services Commission, said yesterday.

Under the Government's proposed Youth Training Scheme, all unemployed 16-year-old school leavers will from September 1983, qualify for a year's training, work experience or further education.

The MSC believes the scheme should be available to all school leavers not entering higher education — not just the unemployed. A commission task group, including union leaders and employers, has until the end of next month to produce proposals for achieving such a scheme.

In spite of its commitment to this principle, the task group may be unable to recommend a unanimous alternative to the government scheme because of the different priorities of employers and unions.

Mr Holland, speaking at an Ashridge Management College conference on industrial training in London, said the outcome would depend on whether a deal was possible on the issue. It raised important questions, such as whether employers would be prepared to take on young people with trainee status for a year. They might be willing to, but not if they had to give guarantees of permanent employment. Remuneration levels also had to reflect the fact that trainees were not fully productive.

There were, said Mr Holland, benefits for both sides of industry in reaching agreement on foundation training for all young people. Employers needed to resolve questions, like skill shortages, changing attitudes to work, and the upgrading of skills.

Union leaders were concerned with the collapse of the traditional apprenticeship system, levels of youth unemployment, and the possibility of achieving the long-held union objective of providing a decent foundation training for all.

"We are at a turning point. I do not know whether we will have a unanimous report. In my view we are very near to a major step, which could put us back on a level footing with our competitors. But a decisive step does mean all the parties being prepared to move from traditional positions," said Mr Holland.

MSC officials are concerned that, if the task group does not produce a unanimous report, there will be no hope of persuading Mr Norman Tebbit, Employment Secretary, to extend the scheme beyond the young unemployed.

Mr Tebbit told the conference that in most areas of industry good progress was being made in setting up voluntary arrangements to replace the 16 statutory industrial training boards which are being abolished.

Reform of corporation tax urged

BY DAVID FREUD

CORPORATION TAX should be reformed by the setting up of a permanent parliamentary standing committee on taxation, Mr Malcolm Gammie of accountants Thomson McLintock, said at the Institute of Fiscal Studies conference yesterday.

The recent Inland Revenue Green Paper on the subject provided too general a view of too limited an area. A broader approach to "tackle problems at their base" was necessary he said.

Promoted

Several of the independent speakers at the conference came out in favour of replacing the present company taxation system with one based on taxing cash flows into the shareholders' hands.

This method, which has been vigorously promoted by the IFS, seemed to have more support than a shift to using current cost profit figures as the basis of taxation.

Among the speakers to prefer a reform in the direction of cash flow was Mr Robin Cook, a Labour Party spokesman on Treasury Affairs.

Making it clear that this reflected his personal view, Mr Cook argued that a cash flow tax would remove the problem that under the present system of inflation produced paper profits are taxed.

Such a tax more readily reflected the ability to pay, and would mean that as profits rose, so would tax payments. The tax loss "overhang" meant that this would not necessarily happen under the present system.

According to Mr Cook a cash flow tax would restore the incentive to invest, which the overhang of tax losses in the present system had eroded.

No changes

However, in the Green Paper the Government had said it wanted a consensus before taking action. Change of any sort would make someone somewhere worse off therefore a consensus could not be achieved in the real world.

If there were no changes now, within five or ten years there would be a fresh crisis, requiring a further ad hoc modifications. This would make the present corporation tax system even more byzantine.

Shipbuilding overcapacity 'to continue'

By Lynton McLain

OVERCAPACITY IN shipbuilding is continuing to grow while the pace of new ship orders is slackening, Mr Robert Huskisson, chairman of Lloyd's Register of Shipping, said yesterday.

It was a "disturbing fact" that yards in some countries were expanding and new yards opening to take work from the "struggling shipyards," he said.

Governments continued to subsidise shipbuilding industries, distorting the true market picture.

Traditional flag fleets, such as that in Britain, needed to be as efficient as possible "because the fleets of emerging nations will inevitably continue to grow," Mr Huskisson said.

APPOINTMENTS

Changes at Greyhound Guaranty

Mr Geoffrey C. Evans has been appointed chairman of GREYHOUND GUARANTY in place of Mr James H. Darton, who is retiring. Mr Evans was until recently a joint general manager of Lloyd's Bank. Mr Ralph C. Batastini, president of the Greyhound Corporation; Mr Marten G. van Lanschot, a managing director of F. van Lanschot, 's-Hertogenbosch and Alfred Freiherr von Oppenheim, a partner in Sal Oppenheim jr and Cie of Cologne, have been appointed directors. Mr R. S. Grim and Mr R. E. F. Harness have resigned as directors. Greyhound Guaranty is a subsidiary of Greyhound Financial and Leasing Corporation AG of Switzerland, which is 64 per cent owned by the Greyhound Corporation of the U.S. and the balance of its capital is held by a group of European banks and financial institutions, including F. van Lanschott, 's-Hertogenbosch, and Sal Oppenhim jr and Cie, Cologne.

★

Mr Ian McIntosh Henderson will become Group commercial director of NEWS INTERNATIONAL in April. Mr Henderson is finance director of C. T. Bowring's insurance broking activities in London and has held senior financial positions with Brascan and Unilever.

At the annual meeting of the LONDON DISCOUNT MARKET ASSOCIATION, Mr M. R. Toynbee was elected chairman in succession to Mr R. J. Petherbridge. Mr R. G. Gibbs was elected deputy chairman. Mr M. R. Toynbee is the chairman of eJssel, Toynbee, and Mr R. G. Gibbs is the chairman of Gerrard and National.

★

Following the death of Sir Keith Showering, ALLIED-LYONS has appointed Sir Derrick Holden-Brown, vice chairman, as chairman and chief executive. Sir Alex Alexander, chairman of J. Lyons and Company, and Mr F. E. Showering, chairman of Showerings, Vine Products and Whiteways, have been made vice chairmen.

★

Mr Kevin Usher has been appointed a director of CLARKE ST MODWEN PROPERTIES, a member of the Clarke Group.

★

ATHENA INTERNATIONAL has appointed Mr Martin Coxon as purchasing and distribution director. He was managing director of Oxley reprographic division and of Universities Press Belfast.

★

Mr Robert C. Carnell has been appointed managing director of WATERLOW & SONS (Radio Times). Mr Carnell has held the posts of works manager and works director.

★

Mr C. Zwagerman, a joint secretary to UNILEVER N.V. and UNILEVER LTD., will retire at the annual meeting on May 19. Mr T. Drion, head of legal department of Unilever N.V., will be his successor. Mr Drion will also continue with his present duties.

★

Mr Gareth Davies has become managing director of CODEC (GRC).

★

Mr Brian Butters has been appointed director of promotion and marketing for AYCLIFFE & PETERLEE DEVELOPMENT CORPORATIONS in County Durham. Since 1971, Mr Butters has been UK sales and marketing director with Patons and Baldwins.

★

Col Gordon W. N. Palmer has joined the board of directors of MORLAND & CO.

★

Mr Tom Amos has been appointed director and general manager of AMERICAN CAN (UK) newly-formed industrial marketing systems group.

★

Mr Bernhardt F. Gadow is to join the board of LTCB INTERNATIONAL, London, as an executive director.

★

TORONTO-DOMINION BANK has appointed Mr C. D. Malmaeus, general manager, Europe, Middle East and Africa division and Mr T. G. Glossop, general manager, UK and Ireland. Mr Y. M. Burega has become assistant general manager and manager, International Centre Montreal and he has been succeeded by Mr A. Barberi as assistant general manager, Western Europe.

★

SILVER PAINT AND LACQUER (HOLDINGS) has appointed Mr Jim Huntley to the new post of chief executive of the SPL decorative paint division, following his resignation from the board of Cray Valley Products.

★

Mr James E. Philpotts has resigned from the boards of ASH & LACY and its subsidiaries from March 31.

★

Mr Hadyn Frame has joined the board of PLESSEY AIRPORTS as marketing director.

★

Following the resignation of Mr Harold Mitchell as chairman of ELITE MANUFACTURING CO., Mr Bryan Wilson takes over as managing director. Elite is part of the Frank Wilson (Filing) Group.

★

The UK plastics machinery division of JOHN BROWN has made the following changes in its two major manufacturing companies, Bone Cravens of Sheffield and Daniels Engineering of Stroud:

Dr Brian Proctor, who has been managing director of Daniels throughout the period of re-organisation following the integration of John Brown's plastics machinery companies with the Leesona Corporation has been appointed to work on new assignments within the division.

Mr Bob Beeston who has been managing director of Bone Cravens during the same period is appointed managing director of Daniels Engineering. Mr Mike Partridge has been made managing director of Bone Cravens responsible for production of the Bone Cravens and Negri Bossi ranges of injection moulding machines.

★

Mr Tony Dickins, previously works director, has been elected managing director of LEAFIELDS ENGINEERING following the retirement of Mr Jeff Roberts as chairman and managing director.

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BARCLAYS 1981

Operating in more than 80 countries.

The Annual General Meeting of Barclays Bank PLC will be held in London on April 28th 1982. The following are extracts from the Address to the Stockholders by the Chairman, Timothy Bevan, for the year 1981.

I must start this report by paying tribute to my predecessor, Sir Anthony Tuke. He would, I know, be averse to my saying much, but it is a fact that under his tolerant but effective and energetic leadership the Group's Balance Sheet totals grew from £12 billion when he assumed the Chairmanship in 1973 to more than three times that figure in 1981 and in the same period we opened offices in a further 28 countries. His interest in people and places was much appreciated throughout the Group and has contributed to bringing the different arms closer together. We wish him well in his new responsibilities and I am glad that he is remaining a Director, so that his advice and help will continue to be available to us.

The Barclays Group

The Barclays Group has now become a large organisation by any standard. Each working day the Group increases its number of accounts of all kinds by around 5,500 and although banking is, and for the foreseeable future will remain, labour intensive, we can only cope with this welcome burden by extensive use of today's technology.

At present we look after depositors' money denominated in 66 currencies of the equivalent of £43 billion or $82 billion and our business is far from being restricted to traditional banking services.

In the United Kingdom, the bank and its subsidiaries have 76,000 staff on the payroll, of whom 63% are women, and some 3,200 offices in all. Abroad, Barclays Bank International with its subsidiary and associated companies has offices in over 80 countries – soon to increase further as we have just been granted a licence in Colombia. In all these countries – more than half of which are classified by international organisations as "developing" – a total of 54,000 people are employed in over 2,100 offices.

We continue to develop and to expand; we are increasing our presence in the Far East and have opened a Representative's Office in Beijing, formerly called Peking. In the United States we have recently agreed, subject to the approval of the regulatory authorities, to acquire Bankers Trust Company of Hudson Valley NA in New York State with 26 branches. In all, we now have nearly 8,000 on the payroll in the United States and gross total assets of over $10 billion. We are also glad to have acquired 85·31% of the Banco de Valladolid in Spain, particularly as Spain is negotiating to join the EEC.

In March 1981 we became the first foreign bank to file with the Securities and Exchange Commission in Washington and thereafter to raise public quoted debt on the New York market. We saw this as a means of broadening the scope of our ability to raise term money as part of our capital resources and as a means of strengthening our presence in the USA.

Performance

The profit for the year of £567 million is about 8% higher than in 1980, an increase that is less than the average inflation rate of 12% for 1981. This profit had to bear, after tax, the so-called "windfall" profits levy imposed on the banks, which in our case amounted to £94·1 million. After all deductions the profit attributable to the stockholders of the Bank came to £337 million, a fall of about 3% on the figure for 1980.

But for the "windfall" levy, net earnings of £431 million would have represented some 20% of average stockholders' funds in 1981, against 18·5% in the previous year. Considering that interest rates in the UK fell somewhat in 1981 this is not an unsatisfactory outcome.

Substantial growth took place in 1981, which has naturally brought downward pressure on our capital ratios. This increase in liabilities, coupled with further projected growth in the UK, expansion overseas and an extensive programme of capital expenditure on branch premises and new technology, caused us to decide to increase our capital to ensure that we retained a comfortable capital position. Accordingly, in February 1982 we raised £100 million by a placing of 16% Unsecured Capital Loan Stock 2002/07, a sum which will, of course, support liabilities a number of times greater.

In the United Kingdom our bad debt experience has been better than we might have expected, given the depth of the recession. By normal standards, much of manufacturing and service industry is over-extended and for many, crisis has been averted only by action taken to cut costs and improve productivity; an up-turn in demand would avoid further deterioration. Barclays International has experienced an increase in specific provisions raised reflecting the impact of the world recession on borrowers in many of the countries where we operate. The substantial growth in Barclays International's balance sheet has also resulted in an increase in general provisions in line with the Bank's prudential policy.

It is difficult to relate our results to those of banks abroad owing to the problems of comparison. For instance, on the Continent profit is often struck after making undisclosed transfers to inner reserves, which has the effect of understating theirs or increasing ours, depending on the way you look at it. Compared with American banks, a difference is the fact that the banks there provide for deferred tax, but in the United Kingdom, under the standards of the accountancy profession, most of such tax is not provided. In round figures, our post tax profit of £461 million would decline to £310 million if the sums were done in the same way as in the United States.

Also, in some countries the practice of making medium term loans and investments at fixed rates of interest plays a larger part than in Britain; and this, too, has proved expensive to those banks in a period of high rates. The contrary is, of course, true in periods of low interest rates. For all such reasons it is probably misleading to make international comparisons of bank profitability over a relatively short period of time.

Differences in inflation rates must also be taken into account. It should be remembered that our historic pre-tax profit of £567 million is reduced to £345 million under the convention of current cost accounting. The convention does result in a figure which makes allowances for the ravages of inflation, even though it is not a completely satisfactory answer as the tax charge shown does not take account of inflation.

Again, it is often alleged that banks welcome high interest rates – this is not so. What we do enjoy is our customers' prosperity, and high interest rates do nothing to support this cause.

That being said, it is true that non-interest bearing cheque accounts are more valuable at times of high rates. But the costs of running these accounts are high – in the UK, despite massive computerisation, it still costs over 20p to clear a cheque and our customers last year drew around 594 million of them.

United Kingdom

Much emphasis has been placed on a restricted measure of monetary growth, sterling M3, and this has been affected by the expansion of bank lending to the personal sector, especially for housing. In my view the bulk of this increase represents a rise in the market share of the banks at the expense of other lenders – and to the benefit of borrowers. The flatness of house prices and of consumer spending generally in 1981 suggests that there has been no undue expansion in credit in this field. Indeed, there are many who argue that monetary policy has been much tighter than the growth of sterling M3 would suggest.

Certainly, in circumstances in which the banks are raising their market share relative to that of other lenders, such as the building societies, sterling M3 is less significant than the wider measures of monetary growth, which include building society as well as bank deposits and which have been rising less rapidly.

It should also be emphasised that the course of bank lending to the personal sector has been greatly distorted by Government controls. The recent expansion in personal sector lending stems from the removal of the "corset" in the summer of 1980, and lending that would have grown more slowly over the years has been concentrated into a relatively short period, as is usually the case when artificial restrictions are removed.

British banks have also been said to have been lending too much to the personal sector at the expense of industry. But we have been well able to meet industry's demand and expect to be able to continue to do so. Additionally, the level of bank lending to the personal sector, contrary to the views of our critics, does not seem particularly excessive by the standards of other countries. In 1981 some 14% of total outstanding sterling advances of banks in the UK, including mortgages, were to consumers. In Japan the comparable figure was in the region of 11% and in the USA it was about 19%.

Looking at our industrial lending, 1981 was a difficult year as we endeavoured both to keep afloat those customers who were in danger of being swamped by the recession, and to encourage new business and employment. We have tried to alleviate our customers' problems by a sympathetic and understanding approach, often by lending over and beyond what would until recently have been regarded as normal. Several hundred million pounds have been advanced in this way to those who can, we believe, use the funds to survive the recession.

We have continued to develop our services to the corporate market in the United Kingdom. We now lend over £6 billion to the manufacturing, production and services sectors. A growing proportion of our advances are medium term or even longer and, excluding our leasing operations, we have some £1·7 billion out on terms exceeding five years.

This year small businesses have again been under the microscope. Much has been done to improve their lot, and in view of this interest I set out below some of the special services we offer:

Business Advisory Service	– Providing free advice and assistance and used by 2,150 small firms in 1981.
Business Start Loans and Business Expansion Loans	– On specially favourable terms to assist with the development of new products and services or the acquisition of property and machinery.
Equity Participation	– Available through our Merchant Bank to selected customers.
Financing of small factory units	– To which we have committed £6·5 million in sites as far apart as London's Docklands and Washington New Town.
Attachment of managers to Business Promotion Centres	– To advise and train those attending these Centres who wish to start up on their own.

On top of these, there is now the Government Small Firms' Loan Guarantee Scheme. We had lent £18·1 million under it by December 1981, but this is a small figure compared with the several hundred million pounds of fresh money we lend every year to smaller businesses.

International

Overseas, the general picture is not dissimilar to that in the United Kingdom. The recession has affected almost all the world and the developing countries are having a hard time with less demand from the industrial parts of the world for their primary products. In addition, they are still trying to cope with the effects of the 1979 oil price rise – the cost of this increase alone to the non-oil producing developing countries in 1980 was more than the direct aid they received from the countries of the OECD.

The recycling of OPEC surpluses has continued to occupy the attention of the international banking system. Immediately after the oil price shocks of 1974 and 1979, it was doubted whether the banking system would be able to recycle the surpluses of the oil producing countries to those less fortunately placed, but in fact the system has stood the strain. The dramatic increase in deposits, however, particularly in Eurocurrencies, is putting pressure on the capital ratios of the banks concerned, and of course there is the difficulty of finding potentially safe and prudent outlets for the funds.

As I write, the sad events in Poland are much in the news and so, too, is the question of the risk incurred by banks in lending to sovereign borrowers. It is important to put this question into context. There are good reasons why banks should wish to lend to governments, private corporations and banks in other countries, in the same way as they do to any other customer. In some cases we have relationships going back over many years involving trade finance. Often, too, lendings have resulted from the support of major export projects, whether from the United Kingdom or other countries in which we operate.

The finance required for major projects has also become larger – for instance equipping an airline with a new Jumbo jet and its spares costs £45 million and the 250,000-ton tankers now in service cost some £40 million to build. However, it is clear that the world is becoming a riskier place in which to lend and it is more than ever important that the banks maintain traditional habits of careful evaluation of risk and remember the basic principle that risks should be spread. There is the continuing need, too, for bankers not to be dazzled by size and prestige.

Having said that, I think we need to be careful not to become over-pessimistic about the periodic need for countries or corporations to reschedule their debts.

The European Economic Community

Although there is some unhappiness in Britain about the EEC – an example near to home on a minor bureaucratic matter is the necessity for your Bank to change its name, from Barclays Bank Limited to Barclays Bank PLC, to comply with EEC regulations at a cost of around £500,000 – the fundamental logic of the Community remains.

For many reasons it would be folly for the United Kingdom to think of withdrawing. Overseas trade has, for generations, been at the heart of Britain's prosperity with exports in 1980 accounting for 28% of what we produced compared with 10% and 15% for the USA and Japan. Of our exports, nearly half were to fellow members of the European Community with whom we ran a trade surplus of £700 million.

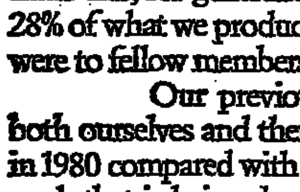
Our previous trade with our Commonwealth partners has diminished in importance to both ourselves and them, with our exports to the Commonwealth accounting for only 13% of our total in 1980 compared with almost 50% only twenty-five years ago. Our job is now to build on the new framework that is being developed, not to try and return to a previous structure that in fact no longer exists and is beyond recall.

Finally, our most important asset – the staff of the Barclays Group. During the months before I assumed the Chairmanship, and since, I have made many visits in this country and overseas. Everywhere I have been, the chief characteristics are the friendliness and great enthusiasm of all. Stockholders are fortunate to have such men and women of all races and creeds working to further the interests of the Barclays Group.

Timothy Bevan

Timothy Bevan, Chairman of Barclays Bank PLC.

The Barclays Bank Report and Accounts gives a comprehensive review of the Group's activities in the UK and around the world. To obtain a copy, just send this coupon to the address below.



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Tory backbenchers seek tougher steps to halt disputes

BY ELINOR GOODMAN, POLITICAL CORRESPONDENT

PROPOSALS to strengthen the Government's Employment Bill by addition of powers to give employers the right to lay workers off without pay during industrial disputes were put forward yesterday by a group of Conservative backbenchers.

Mr Gerry Neale, one of the Tory MPs behind last year's successful backbench campaign for another Government Employment Bill, tabled two clauses to the Bill now going through Westminster.

They give employers the right to lay workers off without pay in disputes which have the effect of disrupting production, whether or not the workers laid off are involved in the dispute.

The clauses, originally proposed by the Engineering Employers' Federation, are designed to deal with selective strike action.

One clause would affect situations where industrial action by employees of the company concerned disrupted production.

The other would be used when the supply of essential goods and services was disrupted by industrial action at another company.

During a miners' strike, for example, manufacturers could lay off their workers without pay if lack of fuel meant they were unable to continue production.

The clauses provide for suspensions of workers to take effect five days after posting a notification of intent by the employer. Provision is made for an appeal by suspended workers to an industrial tribunal.

The amendment would involve a further major erosion of trade union power, and it is unlikely that Mr Norman Tebbit, the Employment Secretary, would want to incorporate such a controversial change in the Bill at this late stage.

The Tory MPs behind the clauses seemed, however, to hope that they would convince the Employment Secretary that there was a sufficiently wide body of support behind the idea to justify making the change at some later stage, either in this Bill or more probably in a future Conservative Employment Bill.

Increasingly, Tory MPs seem to be putting down markers for a further Employment Bill in the first few months of the Government's next term.

Mr Neale claimed yesterday that the clauses would deal with "a grave and growing imbalance" between unions and employers. If a company could not get supplies, he said, then it was a simple choice between "standing by and watching them bleed to death or letting them lay off workers."

He said that the clauses would help deal with the increasingly common tactic of selective strikes.

Ivo Dawnay looks at the closed shop in the second feature on the Bill

Tebbit puts the brake on union powers

THE POWER of the closed shop to inspire public indignation is rivalled only by its ability to breed mythologies.

The passionate debate inspired by such cases as the Walsall dinner ladies and the British Rail workers' successful appeal to the European Court of Human Rights, comes in stark contrast to the pragmatic approach of large sections of industry.

While the Press makes much of the case of Ms Joanna Harris, the poultry inspector sacked for failing to join a union, few are aware that more than 63 per cent of new closed shop agreements exclude existing non-unionists from compulsion to join.

Mr Norman Tebbit's Employment Bill shows an astute awareness of the strength of public feeling, and of the political mistakes made in the past in tackling closed shops.

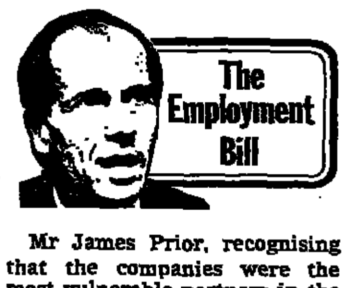
Mr Tebbit is conscious of the ironic fact that the greatest growth in the history of the closed shop has taken place in the decade since the Heath Government tried to stamp it out with the Industrial Relations Act 1971.

Research by the London School of Economics shows that at the beginning of 1980, at least 5.2m of the 22m workforce were members of closed shops, compared with 3.75m in 1965. The growth of white collar workers joining closed shops accelerated from 300,000 (8 per cent of the closed shop workforce) in the early 1960s, to more than 1.1m (22 per cent).

One explanation for this rapid expansion lies in the complicity of employers. For while the closed shop offers unions increased membership and greater industrial muscle, many managements have tacitly welcomed it as a stabilising element in industrial relations.

A work force represented by one trade union is often more disciplined than a series of groupings with separate agreements and contrary interests.

The subtlety of the present Government's attempts to restrict the closed shop is that they are, at least ostensibly, aimed as much at the companies that allow it as at the trade unions.



Mr James Prior, recognising that the companies were the most vulnerable partners in the deal, chose unfair dismissal as the best weapon for redressing the balance.

The Employment Act 1980 expanded the basis for an individual to object to union membership, from religious grounds to any "deeply held personal conviction." It also required that any new closed shop agreement would be enforceable only if a secret ballot showed that 80 per cent of those entitled to vote supported the move.

And those workers unfairly dismissed for failing to join a union could, on appeal to an industrial tribunal, claim compensation of up to £10,150, or £16,910 in cases where the management refuses an order to reinstate the employee.

The only recourse for an employee caught in the vice of trade union pressure and the requirement of the Act is to "join" the union as a party to unfair dismissal proceedings—thus making the union liable to pay part or all of the compensation.

Following consultations with employers' organisations, Mr Tebbit agreed to abandon his proposal for no upper limit on awards for loss or future loss of earnings, and substitute a £7,000 maximum.

He also revised down the level of special awards in cases where tribunals declined to order reinstatement, from two-and-a-half times annual salary with a minimum of £12,000, and no maximum, to twice annual salary with a £10,000 minimum and a £20,000 maximum payment.

FOUR CLAUSES in the Employment Bill constitute its "most political element." They are:

- **Dismissal for refusing to join a closed shop not supported by 80 per cent of employees or 85 per cent of those voting to be deemed unfair (Clause 2).**
- **Compensation for worker unfairly dismissed for refusing to join closed shop substantially increased, to a ceiling of about £35,000 (Clauses 3 and 4).**
- **Worker can "join" a union as a party to unfair dismissal proceedings, making the union liable to pay part or all of compensation awarded if shown to have exerted "unfair pressure" for dismissal (Clause 5).**

Mr Tebbit's Bill expands the theme. Within five years, compulsory ballots must be held in companies where closed shops operate. It also enhances compensation for those unfairly dismissed, from a minimum of £17,000 to £33,550 maximum where a reinstatement order is refused (assuming the employee earns a wage of about £7,500).

These punitive levels of compensation are lower than those originally planned.

The greatest worry among industrial relations managers has been over maverick workers.

The unions are worried too. Unlike the Heath Government's 1971 Act, there is no onus on the unions to actually do anything. In law, the rights of closed shops will disappear by default if ballots are not held. And if union pressure on a company can be established as a reason for an employee's dismissal, both the company and the employee can "join" the union to accept all or part of the liability to compensation.

It is not surprising therefore that the TUC has decided to recommend a boycott of the ballots—and of representation on tribunal panels when unfair dismissal cases are heard.

Empoyers facing a union boycott may be forced to abandon the small protection of a ballot and would have to operate closed shops at the risk of liability to large compensation payments.

The gamble seems worth taking. There have been no significant awards for unfair dismissal taken to the industrial tribunal since Mr Prior's Employment Act. Companies can only hope it will remain that way.

However, that is not to say that Mr Tebbit's Bill will be ineffective. It will certainly put a significant brake on the expansion of closed shop agreements where they do not exist.

The Government may also hope that financial constraints will make unions less willing to strike over the maverick non-unionists in their midst. The CBI believes the legislation will also inhibit unions from threatening members with expulsion where they fail to follow orders from officials.

Ultimately, the closed shop provisions appear to be the most political element in the Bill. Few would argue that their restrictions are likely to boost the efficiency and productivity of British industry.

The next article in the series will appear on Monday, April 5.

Temporary deal lifts threat at Vauxhall

Financial Times Reporter

VAUXHALL car workers hav lifted a threat to start a cam paign of industrial disruptio in support of an improve productivity bonus scheme.

The company has agreed t pay increases on productio bonuses. These will no range from £1 to a maximu £14 a week.

The 8,000 workers at th Luton car factory, which i working at full capacity t meet demand for the Cavalier are likely to benefit mos from the agreement, thei increases ranging from abou £2.50 to £4 a week.

Union officials said th agreement was a temporar measure only, until a mor permanent scheme could b agreed with the company.

It is unlikely that worker at the Dunstable truck factor will benefit from th increases, because the plan is not working at full capacity

Vauxhall said it managed t improve the bonuses by lower ing production thresholds. I stressed that the increases backdated to February 22 depended largely on each plant's production levels.

Sealink staff seek peace plan

By Robin Reeves, Wales Correspondent

A PACKAGE of proposals fo ending the dispute which ha halted Irish Sea ferry sailing from Holyhead over the pas three weeks, was being draw up last night by the 10 trade unions.

Although details were no available, the unions wer understood to be ready t concede a major point o principle. The dispute led t Sealink being prevented fro entering Dun Laoghaire, nea Dublin, by a B & I blockad earlier this month.

The Holyhead unions wil now accept that the riva Irish Sea ferry operator B & I, be allowed access t the Sealink-owned port for competitive daily Dublin Holyhead service—provide both operators give assur ances, including job securit for 1,100 Sealink staff.

Turkey plant strikers accept £6.50 a week deal

FINANCIAL TIMES REPORTER

A SIX-WEEK strike by 1,200 workers employed at the Bernard Matthews turkey processing factories in Norfolk and Suffolk ended yesterday when they agreed to accept a £6.50 a week pay rise.

The stoppage began when the workers rejected an extra £5.60 a week in response to their claim for a 32 per cent rise. But despite the long and clostly strike, the workers finally agreed to return for just 83p more on top of the official offer.

Mr Matthews said yesterday: "I am delighted it is over and I am prepared to make advance wage payments to any of my workers who have got into financial difficulty after being on strike for so long."

The new wage deal will run for a year, backdated to January.

Local official of the National Union of Agricultural and Allied Workers, Mr George Barnard, said: "It means we will be back around the negotiating table in nine months' time."

TUC fights council privatisation

BY PHILIP BASSETT, LABOUR CORRESPONDENT

THE TUC yesterday launched a new campaign to resist further moves by local authorities to transfer the running of public services to private contractors.

In a document being circulated to affiliated unions and trade councils, the TUC argues that Government spending cuts have increased the likelihood of privatisation.

It said: "The TUC believes that contracting out of local authority services poses a serious threat to the social wage and to local domecracy. The hub of the argument is the long-term loss of control by local authorities over the provision and development of services."

The TUC stressed its support for efficiency in the public services. However, it said: "The fact that we do not want public services run for private profit does not mean we want public inefficiency."

The TUC's public services committee cites the decision of Southend Council to put out to private contract its refuse colection service as an example.

It suggested that the problems of privatisation could show up when the contract came up for renegotiation.

Mr Geoffrey Drain, chairman of the committee, and general secretary of the National and Local Government Officers' Association, said: "Private contractors pose a far greater threat to public services than Michael Heseltine's cuts."

He did not rule out industrial action against increased privatisation, though Nalgo has identified that a campaign against privatisation which included strikes could be unlawful under the provisions of the Government's Employment Bill 1982.

Non-cash wages opposed

BY MARK WEBSTER

THE TUC said yesterday it would oppose any attempt by the Government to withdraw the right of manual workers to be paid wages in cash.

The Engineering Employers Federation, in a report, had urged that the Truck Aacts, which guarantee cash payments for manual workers, should be amended to clear up confusion in the law.

The report says 59 per cent of all employees and 78 per cent of manual employees are paid in cash, mostly weekly.

Although about 400,000 workers annually change to non-cash payment, Britain is still well behind West Germany, where only 5 per cent of workers receive cash payment, and the U.S., where only 1 per cent do.

The report says there are advantages in transferring to non-cash payment. These include reduced security risks, saving on costs related to security, more efficient use of payroll staff, and faster cash-flow and administrative savings when wages are paid fortnightly or monthly instead of weekly.

Non-cash Payment of Wages; Engineering Employers Federation; EEF members £2, non-members £5.

UK NEWS – PARLIAMENT and POLITICS

Major sub-contracting hopes on Trident

BY JOHN HUNT, PARLIAMENTARY CORRESPONDENT

A TEAM of American technical experts will arrive in Britain next month to start briefing industrialists on the procedures to bid for sub-contracting work for the Trident II (D5) missile, Mr John Nott, the Defence Secretary, told the Commons last night.

Mr Geoffrey Pattie, Under-Secretary for Defence Procurement, is to visit the U.S. shortly for talks aimed at ensuring that UK firms get a fair share of the work on the missiles.

Mr Nott said that although competition from U.S. companies would be fierce he felt there was an opportunity for UK firms. Orders for the programme would last for several decades, over the lifetime of the system.

He stressed that Mr Casper Weinberger, the U.S. Defence Secretary, was determined to move ahead as fast as possible to clear legal obstacles in the way of British contractors and to waive "buy American" regulations.

Although it was difficult to quantify the size of the opportunities open to British firms, Mr Nott thought that in some sub-contracting areas they could provide between 10 per cent and 80 per cent of the components.

Speaking in the Commons debate on the controversial decision to proceed with Trident II as a successor to Polaris, Mr Nott was expanding on the talks he had with Mr Weinberger last week at a meeting of the Nato nuclear planning group in Colorado Springs.

Although Britain is providing its own warheads the missile will be built in the U.S. Sub-contract orders are of great interest to firms such as British Aerospace and Marconi Avionics.

Mr Nott told the House that the American team will be briefing British companies on the range of possible products for which they can compete, and will be explaining American procurement procedures.

He said that Mr Weinberger was willing to designate American officials for this country and the U.S. in order to maintain and develop the liaison arrangements.

The U.S. Department of Defence will initiate discussions on these arrangements with Lockheed, which is the American prime contractor. The Pentagon would also be arranging meetings between Lockheed and British companies interested in tendering.

The decision to proceed with Trident came under attack from Labour, from the SDP-Liberal Alliance, and there was also some criticism from the Tory back benchers.

Mr Nott argued that it was essential to the security of the UK to retain a strategic nuclear deterrent and that a submarine-based missile was the only effective way to keep that capability into the twenty-first century. The most cost-effective way of ensuring this was to have Trident D5.

Ultimately, deterrents rested on the possession of an indestructible second strike capability so that we could not be blackmailed into surrender. Without Trident the Soviet leadership might calculate that it could risk a massive nuclear attack in Europe without involving the U.S.

Labour's defence spokesman, Mr John Silkin, warned that a future Labour government would cancel Trident. He did not believe that its possession would give Britain an independent deterrent. He thought the U.S. government had not intention of letting Britain use Trident as it pleased.

Nor did Mr Silkin believe Mr Nott's argument that it would not drain resources away from Britain's conventional forces.

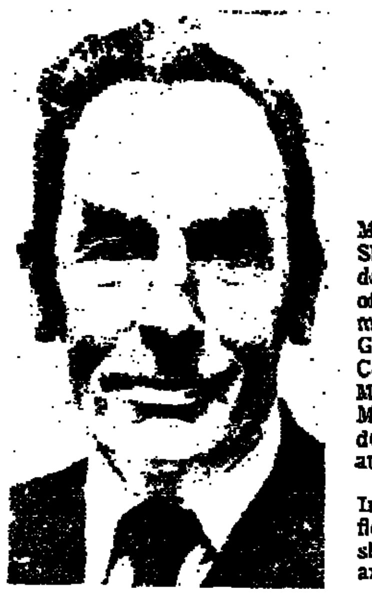
Dr David Owen, for the SDP and the Liberals, said both parties were agreed that while the Soviet Union had nuclear weapons Nato must have them too. But they also thought the decision to replace Polaris need not be taken at the present time.

There were four to five years in which careful thought could be given to the way Polaris could be extended as a deterrent system. During that time Britain could pursue disarmament and arms control.

He called for talks aimed at a 100-mile nuclear-weapon-free zone along the East-West frontier in Europe — a band where no chemical weapons would be allowed either.

Dr Owen felt the Americans should pursue the option of putting Cruise missiles on submarines rather than on land. This, he maintained, would reduce the political controversy over the land use of Cruise missiles.

From the Tory back benches Sir Hugh Fraser (Stafford and Stone), a former Secretary of State for Air, said: "I am unable to support the Government over Trident.


Sir Hugh Fraser "wrong weapon"

"We are purchasing the wrong weapons from the wrong firm at the wrong time."

He urged the Government to continue with Polaris and pointed out that this was a second strike weapon while Trident was intended to knock-out specific targets such as enemy missile silos.

Hattersley urges police to keep out of politics

By Margaret Van Hattem, Political Staff

MR ROY HATTERSLEY, the Shadow Home Secretary, yesterday singled out for attack two of Britain's most senior policemen, Mr James Anderton, Greater Manchester Chief Constable, and Sir David McNee, Commissioner of the Metropolitan Police—in a condemnation of politically motivated police chiefs.

Mr Hattersley told the Institute of Directors in Sheffield that chief police officers should not take sides in political arguments.

"Mr Anderton is perfectly entitled to make an ass of himself if he chooses," he said. "He is not typical of his profession. Other Chief Constables do not compare themselves to Jesus Christ, do not talk about their mission to save society or describe themselves as one of the Four Just Men of modern life."

But Sir David McNee, he said, was launched on an altogether more dangerous course. "He—indeed the whole apparatus of the Met—has chosen in the last couple of years to campaign for specific political objectives." These included preservation of the "sus" laws, removal of the suspects' right to silence and tougher police powers for London.

"The latest manifestation of their campaign was the publication of statistics purporting to show the racial breakdown of London street crime," Mr Hattersley said.

"In fact, the figures were statistical garbage and proved nothing. They did, however, alienate the ethnic minorities and push the Metropolitan Police and the Commissioner into the centre of a political controversy.

"That seems to me a deeply dangerous thing."

If a senior police officer started a political argument, he said, others would carry it to a conclusion, leaving the Chief Constable clearly identified with one side of the argument.

Mr Hattersley praised the "silent chief constables of Great Britain"—those more interested in prevention and detection of crime than in spending their time in television studios.

"Those who had deliberately entered the political arena should be brought under the control of elected police authorities, said Mr Hattersley.

"But with or without such police authorities, chief constables should behave with the proper reticence that has done so much credit to senior civil servants and senior local government officers," he said.

"In a free society they are entitled to make what speeches and broadcasts they choose. But unless they are careful about how they exercise that right, they diminish themselves and undermine the authority of their service."

British Airways loss 'will exceed last year's £141m'

BY IVOR OWEN

BRITISH AIRWAYS' deficit for the financial year just ending will be "a good deal larger" than the £141m pre-tax loss incurred in 1980-81, Mr Iain Sproat, Under-Secretary for Trade, confirmed in the Commons yesterday.

Mr Sproat angered Labour MPs by refusing to give an assurance that the Government is not planning to write off BA's capital debt as a preliminary to selling a majority stake in the airline to private investors.

Underlining Labour suspicions about the Government's intentions, Mr John Smith, the shadow Trade Secretary, called on the Minister to explain how this would be consistent with the public interest. Mr Sproat refused to comment on this "hypothesis."

After describing BA's figures for the current financial year as "quite unsatisfactory" he said he expected the board to take whatever measures were necessary to restore profitability as quickly as possible.

Mr Sproat reaffirmed that the Government intended to sell a controlling stake in BA to the private sector "as soon as practicable."

He stressed: "I very much welcome the steps which the BA board is taking to improve profitability and enhance the prospects of an early sale."

Mr Michael Colvin (Con, Bristol North West) heightened the fears of Labour MPs when he maintained that the Government would have to do something about writing off BA's debt before it would be possible to write a prospectus for the sale of shares.

Mr Sproat assured him: "All relevant information is being borne in mind."

There were further protests from the Labour benches when the Minister indicated that the Government would not stand in the way of BA disposing of subsidiary interests.

He said: "Although the Government's aim has been to sell to the private sector a stake in BA as a whole, I would not exclude the separate disposal of a subsidiary if the BA board, in the exercise of its commercial judgment, decided that the airline's future interests are best served by such a disposal."

Mr Sproat denied an allegation by Mr Alfred Dubs (Lab, Battersea South) that BA was being threatened with the loss of profitable subsidiaries.

Insisting that the decision lay with the BA board, the Minister declared: "There is no pressure from me."

Mr Sproat resisted demands for the publication of a report on the airline's finances commissioned by BA from accountants Price Waterhouse. It contained commercially confidential information, he said.

The report would be discussed by Ministers and the board, he added.

Michael Donne, Aerospace Correspondent, writes: Although the retrenchment measures already announced by British Airways, including reducing staff by 9,000 to 42,600 by May, are expected to save the airline at least £150m a year from 1982-83, further extensive reorganisation is not being ruled out.

One development now being widely rumoured inside the airline is that there will be a return to the former "divisional" structure, with a long-haul division corresponding to the former British Overseas Airways, a short-haul division similar to the former British European Airways, and a domestic division.

Each would be a profit centre in its own right, with its own board, but responsible to an overall "Holdings Board" which would control long-term financial strategy, re-equipment and other top policy matters.

This structure was originally suggested by Sir Ronald Edwards in his report on "British Air Transport in the Seventies," in 1969, but rejected by the Government in favour of a complete merger into British Airways.

Howell drops proposals for 40-tonne lorries

BY LYNTON McLAIN

MR DAVID HOWELL, the Transport Secretary, is to drop his proposal to raise maximum legal lorry weights by almost a quarter to 40 tonnes. The amended proposal will be introduced in the Commons as soon as possible after the Easter recess.

The 40-tonnes limit is to be dropped in the face of implacable opposition from Tory back-bench MPs angry at the impact of existing 32.5 tonne lorries on rural constituencies.

The new legal maximum weight limit is to be set at 38 tonnes, unless Mr Howell changes his mind at the last minute.

The European Commission wants to harmonise weights in member countries at a maximum of 40 tonnes.

Mr Howell is also set to abandon his recommendation in the lorries White Paper, that the existing limit could "safely be raised to 34 tonnes on four axles." This would have increased the road damage done by existing lorries, and would have been inconsistent with the Government's general contention that heavier lorries would do no more damage to the roads than existing lorries.

The Government will unveil a "package" of measures designed to ameliorate the impact of heavy lorries on people and the environment. Some of these, such as plans for new noise limits, were already being introduced before the White Paper.

The regulations on noise will come into force next year and will cut the maximum noise limit for the heaviest vehicles from 92 decibels to 88 decibels.

The Government's target is to reduce the perceived noise from new lorries to less than half the 1981 level, so that by 1990 they would be no noisier than most 1981 new cars.

The Government is also to make safety-sideguards compulsory on all new lorries and on all existing lorries over a weight limit to be announced in parliament.

Many of these measures have been forced on the Government by its fears of a repeat of the Tory back-bench revolt in December. This brought the Government to within 29 votes of defeat when 11 Conservative MPs voted for a Labour motion opposing Government plans for 40-tonne lorries.

A further five Tories abstained.

Mr David Crouch, the Conservative MP for Canterbury, a constituency on the heavy lorry route to the Channel ports, has said the abandonment of the 40-tonne limit would not be enough to make him change his mind on heavier lorries.

He favours phased changes with environmental improvements before increases in lorry weights.

Alliance seats deal despite difficult talks

By Peter Riddell, Political Editor

THE Social Democratic/Liberal Alliance, has sorted out one of the trickiest local negotiations on the allocation of parliamentary seats.

After four meetings and 21 hours of talks, agreement has been reached for the Buckinghamshire, Berkshire and Oxford area. This includes Beaconsfield, where a by-election is due, probably on June 3, and where the Alliance will be represented by Mr Paul Tyler, a Liberal.

The approach of the by-election has probably concentrated minds towards an early settlement.

No details have yet been revealed about the allocation of seats. The dispute centred on some of the urban seats, which are regarded as attractive prospects.

The deal in this area underlines the much greater progress which has been made in these talks in recent weeks, reflected in the announcement 10 days ago that deals had been reached in about two-thirds of the parliamentary constituencies.

The deadline for conclusion of negotiations is the end of March, and a number of meetings have been arranged for tonight and tomorrow. About 500 seats should have been agreed by then.

The SDP will select candidates after the local council elections on May 6.

Richardson 'optimistic' on inflation prospects

BY MAX WILKINSON, ECONOMICS CORRESPONDENT

THE GOVERNOR of the Bank of England, Mr Gordon Richardson, said yesterday that he was optimistic about the prospects for a reduction of British and World inflation rates.

He told the Commons Civil Service and Treasury select committee that he was satisfied that one of the important causes of this improvement was a gefineral tightness of monetary policies.

The average inflation rate in the major countries was now an annual 8.2 per cent and the trend was downwards. He thought there were encouraging signs that the UK and the world were recovering from the effects of the second oil shock.

In Britain, he said, the Government's monetary stance remained precisely as determined as it was when the Medium Term Financial Strategy was formulated in 1980, although the movement of specific monetary aggregates would have to be interpreted with judgment and caution

The Governor said he firmly believed that a substantial fall in the value of sterling would not be effective in improving manufacturers' overseas competitiveness, even if such a fall could be achieved.

He described such a devaluation as a built in "soft option" and said: "Any attempt to depreciate would be a recipe for inflation and worse competitiveness thereafter."

Later, Mr Richardson showed


Sir Gordon Richardson

a cool and cautious approach to the subject of index-linked gilt-edged stock.

He said Britain's exporters were doing surprisingly well in spite of a loss of competitiveness since 1976.

He said there was at present no target for the proportion of index-linked to conventional stock to be issued and it was "premature" to discuss the effect that lower nominal interest rates might have on the Government's borrowing target.

Times editorial safeguards 'not broken over Evans'

BY IVOR OWEN

CONDITIONS designed to safeguard the editorial independence of The Times were not broken when Mr Harold Evans ceased to be editor, Mr John Biffen, the Trade Secretary, maintained in the Commons yesterday.

He denied a suggestion by Mr John Fraser, a Labour spokesman on consumer affairs, that Mr Evans had been the victim of what was in effect "constructive dismissal."

Mr Biffen emphasised: "If the former editor of The Times thought that he had been constructively dismissed he was under no obligation to resign."

Waving aside Labour shouts of disagreement he underlined the fact that Mr Evans had been entitled to take his case to the independent national directors who were responsible for approving the appointment and dismissal of the editor.

"In fact he chose not to do so," said Mr Biffen.

Mr Fraser argued that the "constructive dismissal" of Mr Evans had marked the second breach of the undertakings given by Mr Murdoch when he acquired The Times.

The first, he said, was the transference of the titles of Times Newspapers to the Murdoch parent company News International, a transfer which had subsequently been reversed.

Mr Biffen advised Labour MPs to identify the nature of the problem before seeking to mount a crusade.

Legislation demanded on holiday brochures

BY IVOR OWEN

TOO MANY holiday brochures are still dealing in "dreams" which bear no relation to reality, Mr Gwilym Roberts (Lab, Cannock) protested in the Commons yesterday.

His demand for legislation to require travel agents, estate agents and others who deal in consumer-orientated services, to provide more accurate information was rejected by the Government.

Dr Gerard Vaughan, Minister for Consumer Affairs, promised to keep the matter under review, and joined Mr Roberts in condemning holiday brochures which misled people and misrepresented the services.

Financial targets tough, say Crown Agents

By Paul Cheeseright

THE CROWN AGENTS yesterday said financial targets imposed by the Government for 1982-85 were "tough but acceptable."

The targets apply to the Crown Agents' traditional work of providing services for public organisations throughout the world. They are not related to the Agents' gradual withdrawal from property and secondary banking following losses of over £200m in 1967-74.

The targets are:

- a current cost operating surplus, before interest on capital debt, of 0.5 per cent of total gross income for 1982-84;
- a current cost operating surplus of 6 per cent of gross income for 1985;
- an increase of 2.5 per cent per year in gross income per head of the staff employed.

The Government has also directed that the Agents should repay £10m of its capital debt of £30m, provided in the first place from public funds to launch the newly incorporated Crown Agents in 1980.

The Agents have been caught in the wider process of imposing stricter financial regimes on public sector bodies, officials noted.

But the Overseas Development Administration also appears keen to demonstrate to parliament that controls over the Crown Agents have improved since incorporation, and that there is no danger of any repetition of the property losses of the 1970s.

The ability of the Crown Agents to meet the targets will be more apparent after the publication of the 1981 accounts, now in preparation.

In 1980 the Agents had income before tax and interest of £2.2m. In the 1981 first quarter the surplus was £1.1m but this was not seen as an indication of the outcome for the whole of 1981.

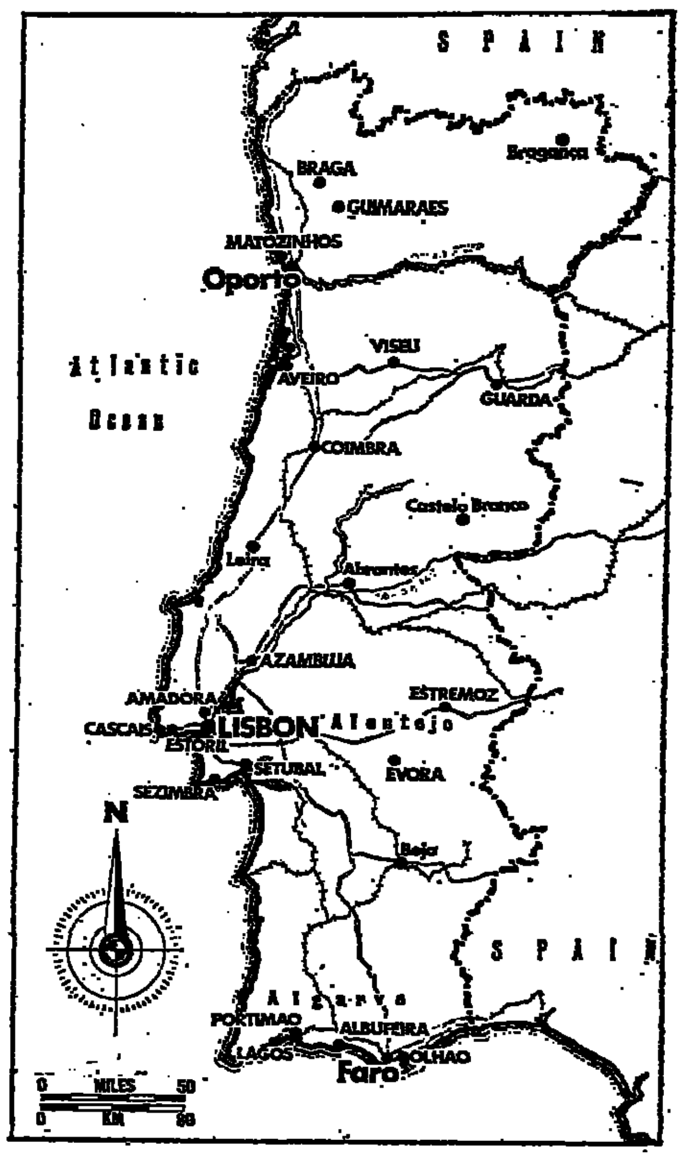
Since the 1970s, the Agents have been pruned down and their worldwide marketing and service operations reorganised. This has involved the sale of surplus assets, and the capital repayment to the Government will be made from this source.

FINANCIAL TIMES SURVEY

Tuesday March 30 1982

PORTUGAL

The country's willingness to compromise should help to carry through the sensitive but vital reforms needed in the constitution. Once that issue is out of the way Ministers believe that more attention can be devoted to the economy and to Portugal's accession to the EEC



Testing time for political future

By Robert Graham

DURING a recent week-long rail strike, the Portuguese Prime Minister, Sr Francisco Pinto Balsemao, used to stop every day to give a lift to stranded commuters going from Cascais to Lisbon. He would have let two share his official car but for the objections of his security guards. The Premier's action received no publicity and indeed was never intended as a political stunt. Instead it merely reflected his curiosity to find out how voters felt about the state of the nation.

In few countries, save Portugal, would such an incident pass off so naturally and unnoticed. But this is a small country and, despite the growing pressures of the world on its ten million inhabitants, Portugal remains an extraordinarily tolerant, friendly and cohesive society.

Without such tolerance and cohesion Portugal would never have witnessed a bloodless military-led revolution, a major redistribution in wealth and the establishment of parliamentary democracy all in the space of seven years.

This sense of compromise faces an important test this year. The test concerns changing the constitution, written in the heady days of the revolution, and which has looked out of step with the country's needs ever since it was introduced in 1976. The centre right coalition, Alianza Democratica (AD), won the elections of December 1980 on a platform that promised a fundamental change in the constitution.

The principal changes envisaged were ideological and institutional. The AD then headed by Sr Francisco sa Carneiro, before his tragic death in a plane crash, insisted that a modern industrialised state seeking membership of the EEC could not possess a constitution which read like a Third World political manifesto pledging the inevitable triumph of socialism. The constitution, for instance, ruled out any idea of a market economy.

Institutionally the constitution created a presidency with wide powers to appoint and dismiss governments and to control the armed forces. The constitution also formalised, as watchdog of the revolution's achievements, a Revolutionary Council, composed of 14 members of the military chosen among themselves plus the heads of the three services and the President of the Republic.

The powers of the Revolutionary Council extended to the blocking or vetoing of parliamentary legislation. The AD argued that parliament could not operate harmoniously alongside these two institutions, so long as the legislature was made subordinate to a non-elected body.

AD's resentment was the greater since it has held a centre-right majority in parliament confronting a left of centre president, Antonio Ramalho Eanes, and a left-dominated Revolutionary Council.

President Eanes (right) being greeted by President Machel of Mozambique on his historic visit to the former colony

Since the death of Sr Sa Carneiro in December 1980 and the appointment of Sr Balsemao as his successor, the head-on collision promised by AD's electoral platform has been reduced. Sr Balsemao does not have the same brash self-righteous conviction of his predecessor. Even so the contradictions have remained and are underlined by the way in which the Revolutionary Council has four times blocked legislation by AD (essentially legislation trying to liberalise the economy). There has also been the latent friction between AD and the presidency.

President Eanes, for instance, has warned against undue curbs on presidential powers in the constitutional review now under way. He has also threatened to throw his cap into the political arena by allowing rumours to be floated that he would consider forming a presidential party.

This then is the background against which the constitutional review is being conducted by a joint parliamentary committee. But the issues can be oversimplified, the confrontational aspect exaggerated. President Eanes, for his part, has never opposed a reform of the constitution. He has indeed accepted that the Revolutionary Council is outdated.

The Revolutionary Council itself has also seen the writing on the wall. However, it has been naturally reluctant to comply in its own disappearance without the public realising its achievements.

The constitutional changes should pass through parliament before the summer recess although April was the original target date. The greatest uncertainty hangs over the extent to which the President's power will be limited—almost certainly less than he would like. The Revolutionary Council will, however, disappear.

Some of the more fervent revolutionary language in the constitution will also be wiped out. But the Socialist Party, only for cynical appearances' sake, will not agree to endorse AD's wishes for a document that supports a market economy. The real changes that affect the right to property, freedom of establishment and sectorial control will have to be introduced by common law—Portuguese compromise working again.

Hopefully, compromise will also be evident in the creation of a Council of State appointed jointly by Parliament, the President and the Government. A new constitutional tribunal will also be created. At the same time the military will acquire a new body in the form of a National Defence Council which will play a part in appointments and defence policy. Both the Defence Council and the Council of State could absorb some of the redundant members of the Revolutionary Council.

The Prime Minister has been consistently reproached within his own AD for being too much of a nice guy—over the constitution, too weak in standing up to the President. But those who criticise forget the very serious tensions between his predecessor and President Eanes which undoubtedly would have caused a major showdown.

Despite the significant achievement of having provided a calmer atmosphere for constitutional reform, the ever-busy Lisbon political rumour mill is convinced Sr Balsemao will soon take a back seat. If nothing else, these rumours reflect the basic difficulties in keeping the AD coalition together. The AD is composed of the Social Democrats (PSD), which Sr Balsemao helped to found along with the late Sr sa Carneiro, and the Christian Democrats (CD), with minor support from the small Monarchist Party.

CONTENTS

Editorial production by Arthur Dawson and Phil Hunt

The PSD is the dominant partner but the dominant political figure sits in the right-wing CD, Professor Diego Freitas do Amaral. These differing personalities and ideologies provide an uneasy coalition and make the AD indeed its own worst enemy. The opposition Socialist Party is badly divided and the Communists are a minority with decreasing support.

The Communist Party, the most Stalinist in Western Europe, has badly misjudged the Government's strength. Through its control of the main trades union, Intersindical, the Communist Party has promoted a series of politically motivated strikes including a general strike on February 12. The general strike call was poorly followed and the work stoppages fizzled out at the end of the first day even though they were meant to last two days.

By concentrating on forcing the downfall of AD, the Communists failed to obtain the sympathy which they could have mustered on a platform of inflation and wages. Inflation is once again running around the 20 per cent mark, but this year the Government wants zero real growth in wages. The Communist miscalculation now leaves space open for the emergent socialist-backed trades union, UGT, with whom the Government (discreetly backed by the Socialist Party) is seeking to work out a social contract for 1983.

Splitting the trades union movement by dealing with the moderate UGT is a tactic copied directly from neighbouring Spain. The Government is so eager to achieve a pact with the UGT that it even appears willing to soft pedal on new labour legislation, introducing less rigid hire and fire laws. The Government would like to be able to base the 1983 Budget round an already agreed wage structure. This in turn would help to establish more order in economic planning which in previous years has been way off target.

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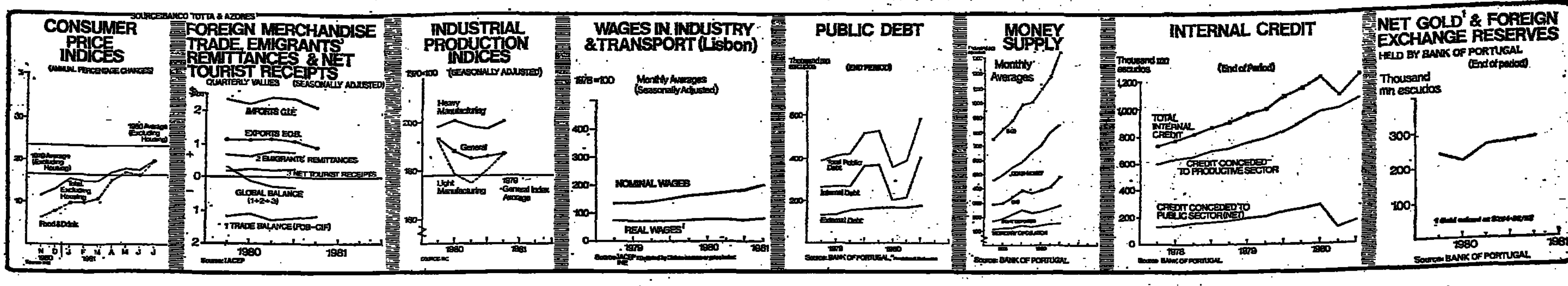


Aims are higher investment and holding labour costs

PORTUGAL IN 1981 suffered the worst drought for 120 years. Fortunately in the past three months there has been renewed rainfall, but the effects of the prolonged drought have been little short of disastrous. Furhermore, in a small economy like that of Portugal where 30 per cent of the active population is still in the agricultural sector the vulnerability is even greater.

The drought completely undermined growth projections and pushed up the balance of payments deficit to nearly double the original estimate. If the experience does not repeat itself, the main problem now is that of coping with the resulting short-term debt to *finance the extra payments* deficit.

According to finance minister Sr Joao Salgueiro, the Government has been given two estimates of the cost of the drought that vary between $450m and $650m. Whichever estimate proves correct, this is a formidable burden when Portugal's per capita income is only $1,500. The principal cost came from the need to import extra foodstuffs and more energy.

If this was not enough, Portugal's misfortunes were compounded by the rise in the exchange rate of the dollar and increased interest rates. Thus financing both the extra food and oil imports was more than *usually costly. To this one* should add that the Government could not pass on the cost of the drought too directly to the consumer and thus was obliged to pay more to subsidise oil and cereals. Indeed, the compensation fund that aids the state grain organisation, Enpac, and *the oil distribution and refining* company, Petrogal, has had its finances almost exhausted.

Firm estimates of the current deficit are available only for the first nine months of 1981. However, these show a deficit of $1.9bn against an original projection for the year of $1.3bn. It now seems likely that the total deficit on current account will be between $2.4bn *and $2.6bn.* The deterioration in Portugal's external position is all the more notable when compared against the $34m of 1979.

Fewer tourists

The change has not been caused merely by the drought and the dollar. Emigrant remittances have, for the first time, begun to level off and could even show for the year as a whole one point drop. Tourist earnings, which have shown important gains in the previous three years, also slipped back, reflecting the international recession rather than decreased competitiveness of the industry. More importantly the export performance has lost its dynamism.

The export trend in the first nine months of 1981 showed that Portugal was failing to sustain its quota of international trade. Volume has *stagnated* and in *dollar terms* the amount of exports is almost certain to have declined, according to several economists.

The main explanation given for the export performance is the loss of price competitiveness, coupled with recession in Portugal's main export markets. *Portugal also faces stiff quotas* in the EEC on such vital items as textiles.

Overall growth was down to 1.5 per cent, the lowest since the 1974 revolution. Here the poor agricultural performance had a significant impact. Agricultural growth fell back 8 per cent. *However,* industry was also sluggish and grew at under 1 per cent—well below the 3 per cent average of the five previous years. As for this year, growth is expected to edge up modestly but still under 3 per cent.

Even without the drought, the brakes were being applied from mid-1981 by the Government. This was an inevitable response to the overheating of the economy created by electoralist policies in late 1980 and early last year. Then substantial subsidies on essential foodstuffs were sustained, pensions raised and high wage settlements permitted. As a result the Government found itself mid-year obliged to scale down some of the planned public sector investment and tighten the monthly credit ceilings, under which the banks operate, to limit the money supply. This more restrictive policy is being continued this year, at least initially while the prospects for economies by the Organisation for European Co-operation and Development show little evidence of an upturn.

However, there is an underlying need to stimulate faster growth if Portugal is to come *closer to the European development* norm. Since the revolution and the nationalisation of the basic means of production, the public sector has become the motor of economic development, through the Budget.

This year the Government is attempting to boost productive *investment and hold down as* far as possible current expenditure. Total budget expenditure has been approved at Es 597bn, 27 per cent up on 1981 yet around 8 per cent in constant terms. Two major burdens inhibit Government control of current expenditure. *The first concerns personnel* costs which comprise nearly one-third of current expenditure. The administration is inefficient and heavily overstaffed: and given the sanctity of public sector jobs there is little chance of shedding personnel. (In spite of this the Government has pledged to raise productivity in the administration by 3 per cent.)

The second burden concerns debt servicing. This is essentially an inheritance of the revolution and its aftermath when the only way the administration could survive, offering the kind of social benefits demanded by the new order, was to resort to debt. In the 1982 Budget, interest payments have jumped from Es 60bn to Es 97bn, up 59 per cent and equivalent to almost a quarter of current expenditure. This increase is mainly explained by the maturing of debt contracted in the early days of the revolution.

The total budget deficit for the year is scheduled at Es 187bn. As it was felt impossible to increase fiscal *pressure further, this large* deficit is being financed as before by a mix of domestic and foreign debt. The bulk, Es 101bn, will be funded through the state-controlled banking system: some Es 20bn will be covered by short-term Treasury bills and Es 10bn through medium-term *bills.* A further Es 35bn will be borrowed abroad.

As can be seen, Portugal's finances continue parlous even if the none too distant days when its 689 tonnes of gold were partially pledged have been relegated to history.

BASIC STATISTICS

Area	34,861 sq miles
	94,276 sq km
Population	9.93m
GDP (1980)	Es 1,205.3bn
Per capita (1980)	Es 121,379.7
TRADE	
Exports (1980)	$4,580m
Imports (1980)	$8,611m
Exports to UK (1980)	£335.1m
Imports (1980)	£389.8m
Currency:	$1=Es 70.2

Two-fold problem

The problem in coping with Portugal's external position is two-fold: the proportion of debt contracted short-term and dependence on dollar-denominated loans. Up to one-third of the $10bn foreign debt is short-term, and almost 80 per cent is dollar-denominated. To offset this, current negotiations for foreign borrowing, have focused on diversifying into other currencies like the yen.

Recently there has been discussion of altering the present *policy regarding* the parity of the escudo. This is now being devalued on a crawling peg equivalent to 9 per cent a year. The Finance Ministry believes that, given the structure of imports and the dependence on foodstuffs and energy, any further devaluation is inadvisable. Nevertheless, exporters point out that at the end of 1980 the escudo was revalued 6 per cent in artificial circumstances and they are still suffering from this.

This parity debate is far from over. Day-to-day worries have tended to divert the Govern*ment from* its *broader strategy* of liberalising the economy and removing both controls and *some of the more inefficient* activities of the state.

To its credit the Government has been more aggressive in limiting subsidies to deficit-ridden state enterprises. The *annual hand-out has remained* constant at Es 11bn now for two years, a drop in real terms: and there is a move to switch from direct subsidy to injecting new capital. This year Es 17bn has been set aside to this end.

Just as important, the Government has been trying to stimulate private sector activity through making more flexible the bonds handed out to owners nationalised by the revolution. Already owners of these bonds have been able to use them to write off bank debts. So far Es 9bn worth of debts have been written off in this way. Now the Government is planning to permit these bonds to be exchanged for shares in some state concerns. For instance, the nationalised banks still hold a number of equity investments and the idea is that these be divested to the private sector via an exchange of bonds. Another proposal likely to be implemented *is cash grants for* productive investments against the bonds.

Private investment has picked up in the past two years but it has been most evident in the service sector and in construction property development. There is also a thriving black economy whose importance *is* hard to gauge but if included almost certainly provides a more optimistic view of private investor confidence. Private business is holding back as much as anything because of pending reform of the constitution and changes in the very strict hire and fire *labour laws.*

Given the increased climate of tension on the shopfloor this year an immediate move on changing the labour laws is unlikely.

Labour unrest has been ostensibly over the Government wage guidelines that have placed a 19 per cent ceiling on rises. However, the wage issue has been used by the Communist-dominated Intersindical union as a weapon to challenge the Government's authority.

The strength of this challenge will help determine the nature of inflation this year. The Government, in setting the guidelines, sought to restrain wages to the pace of inflation and not let them rise above that level. However, the unions, used to substantial wage rises over the past two years, are reluctant to accept effective *zero wage growth.* They also mistrust government projections, believing that inflation will be closer to 25 per cent.

Robert Graham

Testing time for politics

CONTINUED FROM PREVIOUS PAGE

As a whole the country's economic performance has been weak and not helped by having three different finance ministers in less than 18 months. Last year's payments deficit is expected to be about $2.5bn and was badly affected by a serious drought. The budget deficit *continues to grow, inflated by* ever larger debt service and almost a quarter of current budget spending is now debt service.

Despite the economy's continued precariousness, economics remain subordinate to politics. Ministers insist that once the constitutional issue is out of the way more attention will be devoted to the economy and to the consequences of Portugal's accession to the EEC.

Negotiations with Brussels *are proceeding smoothly* and could easily be completed by the end of the year if both the Portuguese and the Community are happy at seeing this done before neighbouring Spain. Membership of the EEC is still viewed almost exclusively in political terms by Lisbon, and the Portuguese could face a jolt when the real consequences of accession sink home.

For instance, Portugal wants to join the EEC at a moment when a major effort is being *made to* re-establish Portuguese interests in the former African colonies of Angola and Mozambique. Greater outlet is seen for Portuguese products in these markets than the EEC.

PORTUGAL III

Francisco Pinto Balsemao: a painful task

The gap Balsemao must close

NOT A Portuguese politician alive could have succeeded the late Sr Francisco Sa Carneiro to everyone's satisfaction. The brilliant 42-year-old Social Democrat leader and Premier, who died in Wagnerian flames in a burning aircraft in December 1980, was a ferocious tactician who drew respect from even his enemies for his single-minded pursuit of a modernised and reformed Portugal.

Physically small but with immense ambition and a need for recognition, he could tackle several problems at once and drive others to find solutions. His passion for efficient government briefly energised Portugal. His sudden loss sent his party, the coalition partners and much of the populace into shock.

To follow Sa Carneiro's outstanding performance has been a painful task for Sr Francisco Pinto Balsemao, a quiet affable 44-year-old with the instincts of a gentleman rather than a tough politician.

With more dignity and grace under pressure than grieving antagonists in his own party expected, Sr Balsemao spent more time last year than was good for him, his Cabinet or the country in trying to put down a party rebellion led by Sa Carneiro's chief mourners. Having succeeded in doing this by smart footwork—resigning abruptly and stunning his adversaries into silence (they apparently wanted to see him crumble publicly, not leave before they were ready to deliver the coup de grace)—he then came back as Premier to mounting and increasingly organised opposition from the Socialist and Communist Parties, the former acting democratically, the latter through relentless industrial unrest aimed at bringing down his Government.

Sr Balsemao has not been helped in his struggle for survival by an odd gap between his facility for communication in small gatherings and the stiff, edgy public persona that the TV cameras register.

Some people perceive him as indifferent to their financial or welfare problems — unfair judgment on a man often accused of being too kind — or suspect him of talking down to them. Yet he lives in fear of seeming pompous and has been much exercised by difficulties in conveying his genuine compassion and his anxiety to be an efficient head of Government.

The open-mindedness that made him a popular editor of the independent weekly Expresso has served Sr Balsemao less well in Government, sometimes leaving an impression that the Cabinet is running him, or that Ministers are singly pursuing personal policies or interests without firm management from above.

Portugal is a difficult country to govern. Its 10m inhabitants are individualists, rarely inclined to consider the common good unless it is spelled out to them in terms to which they can respond emotionally or practically. Otherwise they muddle along well enough for their family needs but with sometimes chaotic effects on the economy. There is a risk of such muddle unless the Balsemao Cabinet comes across more clearly.

D. S.

Negotiations in Brussels and Luxembourg face long wrangles over several sticky dossiers

Farming and fishing hold up EEC entry

IN A RECENT international radio debate, Sr Alvaro Barreto, the former Minister for European Integration, put Portugal's dilemma succinctly: "What are our alternatives? Without the spur that EEC membership will bring to our development, we are unlikely to try to modernise on our own."

The notion that foreigners can achieve what the Portuguese cannot is written into Portugal's economic history. In the past foreign enterprise ran the telephones, Lisbon's transport system, and the gas and electricity company.

There has never been a greater challenge to Portuguese initiative than EEC membership. The application to join was made in 1977, and quickly accepted in principle by the Nine who were as anxious as Portugal to see the little country sheltered from totalitarian temptations.

The final stretch of negotiations has now begun. Yet the country as a whole appears to be waiting a little sluggishly for consummation of the marriage to enrich and embellish the bride, without putting her through too many ordeals first.

The date of a consummation devoutly wished by most moderate politicians, and devoutly dreaded by many businessmen and farmers, is still uncertain. The original target for full membership was 1983, but 1984 now seems to be more feasible — provided the Community's budget and agriculture crisis is resolved, and Spain's competitive challenge to future EEC partners does not turn into a stumbling block for poor, neighbouring Portugal.

Insistence on separate but equal negotiations with Spain, and on not being penalised if Spain's accession slows down, are the keystone of Portugal's approach to the EEC.

A few dossiers have now been closed after years of getting nowhere: The Euratom, coal and steel, regional, transport and economic and financial portfolios were the least problematic, and were rather sketchily dealt with. But it has helped the Portuguese Government's image to be able to say that some dossiers are complete and others will soon follow.

Main problems

But the stickiest dossiers—textiles, labour movement, right of establishment, fishing and agriculture—face long wrangles. The Community insists on restrictive transition periods for textiles and labour; Portugal wants a transition period, including a system of prior authorisation for foreign concerns wishing to set up in Portugal.

The main problems in agriculture and fishing are what to do about 800,000 small, old-fashioned Portuguese farmers, and a fishing fleet that is antiquated, under-capitalised, and unable to withstand competition in home waters. These are Portugal's endemic disasters, and will provide a chance for EEC producers to sell more here.

No-one expected negotiations in Brussels and Luxembourg to go smoothly, but some people expected Portugal to start sooner preparing itself for accession. There are worrying signs that too little is being done, too slowly.

Discounting visits by EEC personalities or specialised seminars, there are few signs that the population is being steered briskly towards its new, European destination. There are some exceptions. The insurance industry, whose leaders quickly perceived the demands of accession, is churning out documents on the Community rules for the sector, and trying to modernise its structures and techniques as fast as possible.

At management level, Portugal's nationalised banks are becoming increasingly eager to penetrate the Euromarket.

Of the 275m European Units of Account that the Community has allocated to Portugal in pre-accession aid, some is for small- and medium-sized businesses. But it has been a struggle to get loans flowing from the European Investment Bank or direct grants moving from the Community.

In theory, Portugal is in a particularly privileged position: no other candidate has been granted a comprehensive package of aid, loans and technical assistance to get it ready for membership. But a year and a half after the package was agreed, few funds have trickled through, apart from the first tranche of the small-business loans and aid.

Meanwhile, Portugal as a side-door into the EEC is a possibility being assiduously cultivated by Japan, South Korea and Brazil, whose direct access to community markets is highly controversial.

South Korea's Samsung is going into association soon with Emacet, a Portuguese electronics company, to manufacture low-priced colour television sets, 80 per cent of which are for export to EEC outlets.

The Japanese, with characteristic caution, are closely scrutinising Portugal's progress towards membership. If they are satisfied, they will invest more, particularly to get more products into Europe.

Diana Smith

Awareness of need for Iberian co-operation

FOR MANY YEARS Portugal and Spain have been like two people standing with their backs to each other looking in opposite directions. Despite having many points in common the Salazar and Franco regimes made only occasional pronouncements on Iberian solidarity and largely ignored each other.

The Portuguese have traditionally felt slightly awed by the larger neighbour and the Spaniards for their part have tended to look down their noses at the Portuguse. But in the past five years an important change in the relationship has been initiated by a mutual realisation of the need for closer co-operation. The two will be partners shortly in the North Atlantic Treaty Organisation and both are applicants for the EEC, thus placing their defence, general foreign policy and economic development in the same framework.

This new sense of awareness has undoubtedly been influenced by the fact that King Juan Carlos of Spain spent part of his youth in Portugal where his father, Don Juan, was in exile and still keeps his principal home. Latterly, it has also been stimulated by the emergence of the AD alliance in Portugal, espousing a political philosophy simiar to that of Spain's ruling UCD, and aided by the close ties that the present Portuguese Premier, Francisco Pinto Balsemao enjoys with many leading Spaniards, including the king. These personal ties have merely accelerated what would seem to be a natural process, given the fact that both Portugal and Spain have opted for the same strategic path.

By May the Atlantic Alliance is expected to have fully endorsed Spain's admission, although formal military integration will obviously take much longer. The two countries are now obliged to view the Iberian peninsular for the first time in a new joint strategic light. Some friction is inevitable.

The Alliance for instance operates part of its Atlantic command from near Lisbon (Iberlant). This Atlantic command will have to accommodate Spanish territory south down to the Canaries and north to the Bay of Biscay. The Portuguese do not wish to be absorbed, subordinate to Spain, in a new Iberian command.

Nato is fully aware of these sensitivities and without minimising them prefers to point to the positive feature of the Portuguese and Spanish armed forces getting to know each other better. This new strategic tie-up, as a result of Nato membership, is already paralleled at the security level where the two countries are showing increasing evidence of a desire for closer contact.

Terrorism fear

This is especially the case in combating terrorism. On the one hand the Spanish are concerned lest any of the Spanish terrorists groups, particularly the Basque organisation ETA, be given support and have access to weapons in Portugal. On the other, the Portuguese are concerned lest the prevalence of terrorism in Spain spill over into Portugal, which in the past five years has had a tranquil record.

The biggest catalyst in changing Hispano-Portuguese relations has been, and will continue to be, the issue of Community membership. Portugal applied before Spain to join the EEC: but latterly the EEC has sought to treat the two Iberian applications simultaneously. Portuguese admission to the EEC presents infinitely fewer difficulties to Brussels than that of Spain, thus it is already proving hard to keep Portuguese and Spanish negotiations in tandem.

The Portuguese view is that it does not wish to be treated separately from Spain, but, as Sr Pinto Balsemao underlined in an interview: "We do not want to be penalised because Spain has its own problems." In other words, there is a limit to Portuguese patience. The target date for both countries' accession is now 1984.

Bilateral trade has risen sharply in the past five years and now totals almost $800m. The balance is heavily in Spain's favour, Spain also being the country which practices a much higher degree of tariff protection.

Spain is Portugal's 11th largest customer, accounting for 3.6 per cent of exports: while Spain is Portugal's sixth biggest supplier, providing 5 per cent of the country's import needs. Portugal relies on Spain as an important source of chemical and plastic products, as well as cement, construction materials and steel goods. Spain also supplies foodstuffs, depending on the performance by Portugal's agricultural industry. On the foodstuffs side Portugal sells fish and seafood, an item which has increased significantly as the Spanish catch in Portuguese waters has been cut back. Portugal mainly exports minerals, some textiles and a sizeable quantity of pulp. Because of the differing tariffs, no one yet looks on a common Iberian market, but the possibility is clearly there.

A limiting factor on closer economic collaboration continues to be the poor road and rail communications. There is no first-rate road link between the two countries and the rail tracks are all single, often poorly maintained. In addition, industry and agribusiness in western Spain has never been encouraged to use Portuguese ports. The hope here is that Community funds will be forthcoming to improve the infrastructure between Portugal and Spain.

One other area of co-operation which could have an important impact is worth mentioning: energy. The Portuguese have viewed with some unease the evolution of the Spanish nuclear programme, fearing that the waters of the main rivers flowing from Spain will be contaminated. The Spanish Government has made considerable efforts to allay these fears, and as a means of getting the Portuguese on board have offered participation in a projected plant at Sayago just inside the Spanish border.

Robert Graham

Renault woos with £109m investment

IN BETWEEN assembling material brought from Valladolid in Spain workers at the small old Renault plant high in the north-eastern mountains of Portugal would often take time off to till their fields or harvest their grapes. What Renault is now doing in Portugal is less cosy: a FFr 1.2bn (£109m) investment in new units at Setubal in the south and Cacia near the port of Aveiro in the north will in time, and at full throttle, turn out annually 80,000 vehicles. Setubal has a target of 40,000 by 1984 and 220,000 engines and the target for Cacia is 140,000 engines for export.

Besides that, Renault is offering marriages or wooing traditional suppliers to Portugal in order to stimulate the spread of the industry. As well as its 38 Portuguese suppliers it now has 19 licensed local suppliers some of which are joint ventures between foreign and Portuguese concerns and some, like BBA Portuguesa, the new wholly foreign owned brakes unit of BBA group, the UK automotive and industrial products group, which furnish two-thirds of purchases.

Arranging marriages is not always easy, however, in a country not generally renowned for its rush to diversify and modernise industry.

Thus, Renault had to step in when the engagement between one of its foreign associates and a Portuguese entrepreneur failed to materialise into the foundry destined to supply Cacia. Renault took 70 per cent of the shares. The other 30 per cent were taken up by Portugal's Institute of State Participation.

Renault's expanding market share of 29.6 per cent last year out of total sales of 68,000 in car-mad Portugal and a target of 34.6 per cent for 1987 have inevitably rattled the competition. Because of its giant investment by Portuguese standards and commitment to export much of the output to France its import quota of cars or parts is more generous than that permitted to American or European rivals with smaller Portuguese set ups. This often troubles the parent company concerned.

In the early days of negotiation when the Portuguese Government was eager to attract the hundreds of millions of dollars that the Renault investment represented, it offered Renault a market reserve of more than 40 per cent.

Other European and U.S. manufacturers with assembly lines in Portugal (on a far more modest scale than the plants proposed by Renault) objected and the Government backed down. But since that time, the competition has been very suspicious of Renault and touchy about the high sales figures it is already reaching and about its long-range output forecasts.

Meanwhile, Renault talks softly and carries on with a big investment programme.

Diana Smith

Anxiety over role in Nato when Spain joins alliance

FEW ITALIANS would mind boasting about the national origins of Americans like the tenor Mario Lanza, or a successful writer like Mario Puzo, author of *The Godfather*. But you are unlikely to hear the Portuguese brag about John Philip Souza, the king of the march, or the novelist John Dos Passos, who made their name in the U.S., and came from Portuguese emigrant stock.

Few Americans realise that there are over a million Portuguese living in the U.S., largely in the east or west coast states. Most migrated from the mid-Atlantic archipelago of the Azores, a cluster of beautiful, volcanic and windswept islands, whose current population of about 200,000 is but a third of the Azorean population living in the U.S.

Perhaps because the Portuguese adapt so discreetly to new locations and circumstances; they have not imposed themselves on their U.S. surroundings like the Italians.

They have no powerful lobby in the U.S. to promote their ethnic image or group interests, or to promote Portugal itself. Portugal has only a modest place in the U.S. context, but the U.S. means a great deal in financial terms to Portugal.

The country's geographical location, including the unique situation of the Azores—which have their own semi-autonomous Government, but need considerable financial support—cannot be discounted in U.S. security contingency plans.

The U.S. has leased a military air base at Lajes, on the Azorean island of Sao Miguel, for many years. Under the last agreement, which is now about to expire, the islands received payment of $80m ($20m a year over four years) not in rent, but in aid programmes. That sort of counterpart for being used as a refuelling point for U.S. military aircraft in times of trouble is of vital importance to the islanders.

Whether the Azoreans can get the U.S. to put more money where their muscle is when the Lajes base lease comes up for renewal is debatable. The Reagan Administration and Congress are in a cheeseparing mood about foreign aid and mainland Portugal, where Nato has naval facilities, and Nato aircraft are repaired, also has some strategic interest to the U.S.

Portugal has not done badly out of the Americans, since the 1974 military coup and ensuing political upheavals turned Portugal briefly into a potential security risk for Nato and the U.S.

While the country strained to hold its fabric together in 1975, the year of anarchy that hit rural and urban areas alike, a comprehensive and imaginative U.S. economic co-operation programme was stitched together.

This helped to patch up many cracks, and eased the trauma of resettling more than 700,000 refugees from the former African colonies in 1975-76. The programme still soldiers on despite Portugal's infuriating bureaucratic delays.

Between 1975 and 1980, this economic assistance added up to $1.5bn.

Hefty imports

In 1981, Portugal imported some $650m of grain and animal feeds from the U.S., a hefty sum for a country of just under 10m inhabitants. Between 1976 and 1980, part of its U.S. grain purchases ($20m in 1980) could be financed under U.S. Public Law (PL) 480, which provided for 18-year terms at concessionary interest rates.

Then President Carter decided that Portugal was developed enough not to qualify for PL-480 concessions. It can still, however, call on the Commodity Credit Corporation for financing of part of its grain purchases, at market interest rates but with three years to pay.

After a crippling drought last year, which cost perhaps $600m in lost crops, and additional energy and foodstuff imports, Portugal re-applied for PL-480 facilities, arguing that it was a special case. The request has not yet been granted.

The huge volume of U.S. grain imports is likely to slacken off when Portugal joins the EEC and can buy more European grains. Meanwhile, they put a strain on the balance of trade with the U.S. There is a four-to-one ratio between imports from the U.S. and sales to the American market.

Portgual has been importing about half of its food requirements for years, but Portuguese agriculture is in such a parlous state that this year 74 per cent of foodstuffs and animal feeds must be imported, at a cost of $1.5bn. Of this total, over $700m will be accounted for by grain, mainly from the U.S.

Portugal may be able to feed its own chickens in time, thanks to a $10m U.S. aid project designed to neutralise acid soil in in the north by helping with the mining and transport of limestone to the farm belt, and teaching farmers to apply limestone and fertiliser.

When Spain joins Nato in May, Portuguese officials are anxious to ensure that their smaller, less self-assertive country is not relegated to periphery of on alliance to which it has belonged for so many years. Some polite but firm conversations with the Spanish seem to have ensured that this does not happen.

Portugal will have its proper say in the joint Iberian command. Geography is a crucial factor in this. As a European nation with an Atlantic coast line and Atlantic islands, Portugal is a logical Nato partner, where all contributions are gratefully, if not always speedily, received.

D.S.

Old ties, new quests in Africa

FOR CENTURIES, Portugal turned its back on Europe and even neighbouring Spain and looked to an overseas empire for trade and survival. Seven years after giving up its last colonies, Portugal is again turning to Africa to secure its place in the world.

Lisbon's attempt to forge closer links with its former African colonies — Angola, Mozambique, Guinea-Bissau, Cape Verde and Sao Tome and Principe—runs parallel to the other cornerstone of its foreign policy, Portugal's application to join the European Economic Community.

In many ways the two issues are linked. Without a privileged relationship with Portuguese-speaking Africa, all Portugal could hope to bring to the Common Market would be the problems of just another backward region of the Iberian peninsula, poorer than any other part of the EEC and with the added headaches of cheap textiles and a large force of emigrants working in an increasingly jobless Europe.

But Portugal's new African quest is not just a case of historical necessity for a country that was forced to discover the world in order to save its national identity from being absorbed by a much larger neighbour.

"It is a case of their needing us and our needing them," commented an Angolan diplomat in Lisbon. The way a senior Portuguese official put it was different, but the idea was the same: "It is inevitable that our relations with our former African colonies should be good."

The fact that it is the ex-colonies who are trying to persuade their former masters to return in a new guise is the most important aspect of Portugal's new African adventure.

When the ex-colonies first achieved independence, their new regimes tended to blame everything that went wrong on the evils of Portuguese colonialism or on economic sabotage by departing Portuguese settlers. At least in Mozambique and Angola, the two richest and largest former Portuguese colonies, the new scapegoat is South Africa and Lisbon actually supports the positions of the black African lobby whenever there is a vote against Pretoria at the United Nations. This means that two adversaries that fought each other in a long and bloody colonial war are now on the same side of the barricade.

Many factors have contributed to this reconciliation. Seven years have given both sides time to get over the traumatic consequences of the break-up of the Portuguese empire.

The emotional ties linking the rulers of Angola, Mozambique and Guinea-Bissau to a Soviet bloc that helped them win a war of national liberation are still very strong, but the gratitude is nevertheless beginning to wear thin.

Seven years have given President Samora Machel of Mozambique and President Jose Eduardo Dos Santos of Angola, for instance, the time to realise that only western finance and technology can help develop their economies.

Disillusioned

Such problems as hundreds of Hungarian buses rusting in Luanda because of a lack of spare parts only a few years after being bought and the nightmare of Mozambicans trying to get treated in hospitals staffed by North Korean doctors without any knowledge of Portuguese have helped Lisbon's former colonies grow rapidly disillusioned with Soviet bloc aid. The need for East bloc arms and, therefore, for Soviet East German, North Korean, Romanian and Cuban instructors will continue as long as Angola and Mozambique need to keep their armies in the field against South African troops or guerrillas backed by Pretoria. It is a view shared by France and Britain, but one which Portugal is having trouble in convincing its U.S. allies.

The ex-colonies most pressing need is for the return of Portuguese civilians. They have the advantage over other nationalities of knowing the language and very often the country itself. They seem to have a rare gift for getting on with other races and they happen to be much cheaper to hire than their French, British, West German or American equivalents.

Picking up where the East bloc left off is Ferbritas, a partly-owned subsidiary of the Portuguese state railways (CP) which is busy repairing loading and unloading equipment at Luanda in an attempt to end the port's chronic congestion. It is also setting up maintenance workshops for all three Angolan railroads, including that favourite Unita target, the British-owned Benguela railway.

The Angolans have given no publicity to these achievements or even mentioned these contracts in their press, but it is this kind of success which secures Portugal a share of the pie when Angola and Mozambique start improving their ports and communications in the name of Southern Africa's economic independence from Pretoria.

This is one of the reasons why Portugal has for the last seven months been negotiating with a number of western countries the possibility of securing Western finance for development projects to be built with Portuguese know-how in Lisbon's ex-colonies, mainly in Mozambique. Foreign minister Andre Goncalves Pereira recently said Britain, France, West Germany and Sweden were interested in the scheme.

The idea of trilateral co-operation is part of an effort by Portugal to act in the West as a kind of advocate on behalf of its former colonies explaining why they sometimes act the way they do. The Bank of Portugal makes parallel efforts among Western banks. The fact that one-seventh of South Africa's white population is of Portuguese origin could one day give Portugal a diplomatic leverage of another kind.

It is far too early to speak of hopes for some sort of Portuguese commonwealth, but it is clear that the Portuguese have not yet had their last say in Africa.

A Special Correspondent

Oporto hopes EEC will bring benefits

THERE HAS always been friction between Lisbon and the north. Traditionally, the capital has treated the regions with miserly disregard for local welfare or development and their fate has been dictated by a city filled with bureaucrats whose sole function, at times, has seemed to be to say "no."

Today, with half-hearted stirrings of a regional policy aimed at enhancing, not subjugating the provinces, and the characteristic slowness with which this has been devised, historic north-south tension has surfaced more boldly. A mayor in the north-east publicly chides the prime minister, for government foot-dragging over Portugal's most deprived region. Private businessmen in Oporto, not quite jokingly, tell visitors that secession is the only solution for the productivity gap between the industrious north and loquacious south.

It is difficult to see how the stresses can be resolved until the Lisbon-oriented Portuguese political class cures itself of its reluctance to give more than rhetorical attention to the regions outside election years and until EEC accession fosters a regional policy that can judiciously apply Community funds to real progress in the hinterland.

Portugal's industry has clung stubbornly to small, low-technology labour-intensive concerns with few exceptions, which include the State-owned basic industry, one or two giant private textile companies in the North and the foreign contingent which is prominent in consumer goods, including food, tools and equipment. This sector has brought capital, know-how and some economy of scale on its own or with a Portuguese partner.

The footwear and cork industries provide examples of the smallness of scale: 1,000 shoe factories employing 30,000 people: 600 little cork-making companies, employing 20,000 people, relying on luck, low wages, bank loans (hard to secure in today's credit squeeze) and uneconomical transport systems.

The bulk of Portugal's exports still consists of traditional products like textiles, wine, cork and footwear, prone to rigid demand and energetic competition from developing countries in South America or the Far East.

Family firms

It is notably difficult for small family firms, which probably once had a tame market in the former African colonies, to switch rapidly to becoming successful wooers of demanding new markets in the Middle East, U.S. or Latin America. New-fangled management and marketing techniques do come painfully to hardworking paternalists who have not been fully exposed to the European or U.S. business mainstream.

There is some healthy diversification of industry in the North, which is the hub of private industry. Dealings with businessmen and industrial or trade association leaders in Oporto reveal a stronger urge to work, and organise there than in Lisbon.

There are stronger signs of an understanding, at least among younger Portuguese businessmen, that the industrial base must widen and diversify further to ease imports and promote exports.

New proposals may help: through the national development bank (the Banco de Fomento Nacional) funds for small and medium businesses are available. The funds have come from the World Bank, the European Free Trade Association, the European Investment Bank or the EEC (in slower trickles than hoped for) and bilateral aid.

Portugal's first private investment company, the Sociedade Portugesa de Investimento (SPI) has set itself up in Oporto. It has four foreign partners, the World Bank's International Finance Corporation (7.5 per cent), the Union des Banques Suisse (5 per cent), the Credit Lyonnais (5 per cent) and Germany's DEG, a government agency (5 per cent). The rest of the capital is held by 100 private companies in a wide range of activities.

Inevitably, the idea of 100 shareholders in a country of individualists with strong family ties, made some observers nervous of the SPI's ability to channel funds into worthy projects. But the shareholders' vested decision making in Sr Artur Santos Silva, one of Portugal's bright young economists, and the SPI's first president.

As accession to the EEC draws near, a more accurate understanding of what competition will mean should add some urgency to modernisation or expansion plans of Northern industrialists. Many, until recently, had not realised that EEC products would pour in, offering competition in price, quality and quantity that many Portuguese concerns could not withstand in their present state.

This year the North's will to work was amply demonstrated in the general strike in February which had little more than marginal support in the North, while the industrial belt around Lisbon provided the only visible signs of support.

It is also a year when the central administration will be under growing presssure to put its money where its mouth is: the ruling alliance counts heavily on the regional vote, especially in the politically-conservative North, for its majority and it faces local elections in the last quarter of the year.

Diana Smith

Uncertain future for Lisnave

ANY VISITOR to Lisbon cannot fail to notice Lisnave. The huge cranes of the ship-repair yard loom across the Tagus from the capital and on a clear day you can even read the company's sign. Lisnave looms just as large in the Portuguese economy. The company accounts for under 5 per cent of Portugal's foreign earnings and with its 7,600 strong labour force is one of the biggest single industrial employers.

The company was formed by the Mello Group with Dutch and Swedish interests to take advantage of Portugal's strategic location on the principal tanker routes. However, the dominance of the Mello group was ended by the 1974 revolution and the biggest single shareholders is now the State with 23 per cent. The Mello Group still retains 22 per cent of equity while the Dutch concern, Rijn Schelde—Verolme, and the Swedish Eriksberg each hold 19 per cent. The remainder is in smaller private stakes.

Last year Lisnave had a turnover of \$160m, up from \$139m. Of Lisnave's two yards with fixed assets of \$100m, all but \$24m was generated by its largest and most modern one than can handle tankers of 300,000 dwt.

Despite difficult international operating conditions this was considered a good year and for the first time since the revolution a small 2 per cent dividend will be handed out on profits of just under \$1m. But this year work is on the downturn.

Lisnave's future as a European ship-repair yard hinges on its ability to hold down operational costs since the bulk of its materials are imported. Within Portugal, the company is diversifiying and control several companies including operations in air-conditioning and computer software.

R.G.

Overmanning hampers industry

UNTIL LAST YEAR Portugal's industry had managed to remain relatively isolated from the international recession. A steady growth in domestic demand had sustained order books and the principal exporting industries like textiles retained their competitive edge. However, a slowdown in public investment and a dampening of the economy, combined with much tighter international competition, provoked a change.

As a result industrial growth of 0.6 per cent last year was under a third of the average for the previous five years. This slowdown could be merely a hiccup and indeed this is what both the Government and the industrialists would like to believe. But Portugal's statistics are so slow that concrete judgments about industrial production are based on figures that are already six months out of date.

The downturn was by no means uniform. Consumer-based industries like food and agribusiness maintained their rhythm of activity. The important pulp and paper industry had a reasonable year.

It is also significant that the number of construction licences issued and the consumption of cement suggests a far greater degree of activity than the statistics portray. This phenomenon is easily explained if one accepts the growing weight of the black economy inside Portugal. The construction business is arguably one of the most important areas of "black" activity. For instance emigrants can easily fund house and apartment construction so that the only official statistic is the building permit.

Reduced activity was mainly noticeable in heavy industry, engineering, chemicals and to a lesser extent in the textiles sector.

The small fragmented nature of Portuguese industry, of which 60 per cent is located in the north of the country, provides flexibility. It is the flexibility open to small and medium-sized companies. Only 1 per cent of all industrial concerns employ over 400 workers, while 50 per cent employ less than 10.

This is a natural reflection of the country's late introduction of industry, dependence upon traditional manufacturing sectors that are labour intensive and the absence of large domestic private groups capable of stimulating major investments.

This fragmentation incidentally also helps explain why more than half of industrial production is controlled still by private capital, despite the nationalisation moves of the revolution. Nationalisation affected the large companies or those which were in the equity portfolios of the privately-owned banks. Foreign companies were excluded and of the 20 leading companies five are foreign.

Portuguese industry is far less protected by tariffs and quotas than that of neighbouring Spain. Its basic strength stems from the cheapness of its labour, for it can rely on few natural resources and is 85 per cent dependent on imported energy. On average wages are one-third of the EEC.

Depending so much on cheap labour costs to retain international competivity has inherent dangers. For instance, employment in Portugal's textile industry expanded between 1965 and 1977 by 55 per cent to 180,000. (Only Italy expanded its textile workforce during this period, and since then the cuts have begun.)

Portuguese textiles are now overmanned and insufficiently productive. Their continued health depends on better management, improved technology and proper marketing because in the medium-term Third World producers are bound to compete more effectively on labour costs.

As if deliberately to counterbalance the importance of traditional labour intensive sectors, the Government in the early Seventies determined to launch Portugal into modern capital intensive areas like petrochemicals. The result was the famous Sines development project on the coast 120 km south of Lisbon.

The idea was to set up a wholly new industrial development area in the agricultural south geared to Portugal's strategic location on the main oil tanker and shipping routes. Conceived in 1971 before the oil price boom, Sines was to become a major European refining and petrochemical centre. Unfortunately the oil crisis turned Sines into one of Europe's biggest white elephants.

A more serious criticism is that the Sines project has diverted attention and resources from the proper development of Portugal's mineral resources.

The present Government is concerned at a more general level to make industry more efficient. This means a cut in state involvement at all levels—from equity holdings through to bureaucratic controls. But, so far, there has been more evidence of good intentions than real actions. In fairness, the Government has not had a very free hand.

Criticism is more justified over the slow moves to provide new capital to the state-owned industrial companies, all of which without exception are desperately under capitalised.

A wider problem is that the revolution removed the few large private groups through nationalisation. There are no groups really willing or able to invest in new industries. The hope is that by a more liberal government policy on using nationalisation bonds the former entrepreneurs will be encouraged to take new risks.

Robert Graham

Agriculture resists changes

WHEN A THIRD of a country's active population is engaged in agriculture, and the Ministry of Agriculture employs 18,000 people, it would be reasonable to expect that nation to produce most of its food.

Not Portugal, however, for in a good year it has to import more than half of its food and animal feeds. As a result of a particularly bad year like 1981, when drought and frost played havoc with farming, the food and animal feeds import requirements this year will amount to $1.5bn, 74 per cent of consumption.

The soil, of very uneven quality, or the rocky, hilly terrain of the North cannot be fully blamed for average yields that are only half those of Spain, where climate and soil conditions are similar, and a fifth of those of Europe.

Portugal's 800,000 small subsistence farmers and some owners of larger spreads are resistant, if not allergic to modernisation, and until they change attitudes, little can be done.

One might say that the cherished principle of one man, one cow, or one man one hectare of corn triumphs over strenuous efforts by Portuguese authorities and foreign technicians to persuade relatives to remove stone dividers from adjoining spreads so as to turn four or five little farms into a larger, more profitable one.

Insistence on staying small means that prices to the producer are incompatible with the quantity and quality he offers: producer prices of dairy products and corn, for instance, are way above U.S. or EEC averages. A tonne of Portuguese corn fetches Es 16,000 or $225: you can buy high-grade U.S. corn for $130 a tonne.

Unrealistic prices

The rationale of these unrealistic prices is that Portuguese farming is dominated by the small operator. He must receive a sum that brings him a profit, even if his methods are more suitable to the 15th century and his one cow is milked dozens of kilometres away from the nearest co-op dairy.

Inefficient dairy farming and erratic climate mean that annually, Portuguese housewives go half-berserk in October trying to buy milk. Large queues start at 6 am outside supermarkets and dairies, and small shopkeepers hide a few litres for their best customers.

Portugal is fortunate to have its Azores islands to come to the rescue during the annual milk crisis: the archipelago's peculiar weather makes pasturage more lush and reliable than on the mainland.

There is greater technology and larger enterprises in the poultry and pig-farming business: particularly important to pig-breeding, where African swine fever is almost endemic, and the strictest isolation of the animals has had to supersede free-range methods dear to the heart of old farmers.

But the grain sector—apart from a U.S.-sponsored soil correction programme in the corn-growing North, and more rational use of uneven central Alentejo soil for wheat production, leaves room for improvement, to put it mildly.

In 1980, considered a very good year, 430,000 tonnes of wheat and 489,000 tonnes of corn were grown. Portugal imported 620,000 tonnes of wheat and 2.5m tonnes of corn from the U.S. in the same year. Last year, which experienced the worst drought in 130 years, wheat production dropped to 310,000 tonnes and corn to 367,000 tonnes. Imports rose to 620,000 tonnes of wheat and 2.7m tonnes of corn.

In money terms, that meant that Portugal paid $600m to the U.S. in 1980 for agricultural imports, including oilseeds and rice, and $750m in 1981.

In 1982, agricultural imports from the U.S.—with prices there dropping through the floor—are forecast at $700m. Half of this can be financed through the Commodity Credit Corporation (CCC) at market interest rates on three-year terms: in 1981, the CCC facility was only available for $175m worth of agricultural imports.

Portugal's total grain consumption is about 5m tonnes a year. Corn accounts for 3m tonnes and wheat for 1.1m tonnes. Experts estimate that even if Portuguese farmers suddenly acquired a taste for efficiency, big thinking and mechanisation, and worked all-out to increase grain production there is no way that the country could ever be self-sufficient in grain but it could certainly do better.

At present, the huge grain imports are handled by an official purchasing body with 2,000 employees. Some experts reckon 100 could do the job faster and better. The body, EPAC, had a reputation for buying the wrong amounts at the wrong prices at the wrong time but in 1982 it would be difficult to find prices that are lower and thus, more suitable, to a hard-pressed country like Portugal.

But the combination of small mindedness and a passive fatalism by most farmers about the weather, luck and the government, and the appalling excesses of bureaucracy in official agricultural bodies puts Portugal more at risk than it may realise. With more efficient, dynamic Spanish farming all along the frontier, when EEC membership brings in both countries, Portuguese farmers may receive a rude awakening from their ambitious neighbours.

Diana Smith

Army privileges come under fire

HOW MANY people realise that Portugal actually has two governments? There is an elected civilian one and there is a self-appointed military one, the Council of the Revolution.

The Council not only runs everything connected with the armed forces, but has the power to veto whatever the civilian government or parliament decides.

Just how little power the Government has over the military was made clear by a witty Portuguese defence minister who once said all he had under his control were the country's ambulances. "Not even the ambulances," immediately quipped an official for the Council of the Revolution.

This strange state of affairs is partly the result of the coup the armed forces staged on April 25, 1974 to topple the former dictatorship. Portugal is after all, formally only in a state of "transition to democracy" and the country's political parties are still bound by what is known as the second pact with the Movement of the Armed Forces (MFA), signed in 1976.

The period of military tutelage is due to end this year when the 1976 constitution is revised and if there is one point that the ruling Democratic Alliance and the socialist opposition are in complete agreement about, it is that the Council of the Revolution must be abolished.

But the extraordinary weight of the Portuguese military in politics is not just the result of the revolution. It is something that has far deeper historical roots. With a population of 10m, this country is too small to avoid being dominated by that well-known Latin couple, the Church and the Army.

It is no coincidence, for instance, that Portugal is the only member of the North Atlantic Treaty Organisation except Turkey whose head of state is a serving general.

Article 273 of the 1976 constitution says that it is the duty of armed forces to "secure the continuation of the revolution" and "ensure the conditions under which Portuguese society may effect a peaceful and pluralist transition to democracy and socialism."

No one has paid much attention to that kind of talk during the last six years and few would miss these phrases if they were quietly dropped from the new constitution.

But what the Democratic Alliance and the Socialists are determined to push through is a much more far-reaching clause that would give the government of tthe day control over military appointments.

Main motive

The idea of losing the privileges of independence must be as repulsive to Portugese officers as the Government's efforts to make them pay income tax for the first time in the country's history.

The Government's main motivation in tampering with the armed forces seems to be that it wants to undercut the position of the President, General Antonio Ramalho Eanes, who is commander-in-chief as well as chairman of the Council of the Revolution.

It is true that President Eanes, nominees in key positions perpetuate his power base in the armed forces, but to be fair, it was due to the soldier-President that the Portuguese military ever started returning to barracks.

What is remarkable is that the Portuguese armed forces have been cut from nearly half a million men at the time of the colonial war to only about 70,000 today without too many upsets.

The troops are obedient. The bulk of the officer corps just wants to carry out orders and has had far too traumatic an experience after the revolution to ever dream of getting involved in politics again.

In many ways the Government might be well advised to let sleeping dogs lie and let the armed forces remain a state within a state.

A Special Correspondent

Energy faces the nuclear plunge

THE DIAGNOSIS of Portugal's energy dilemma appears at first sight to be simple. It shoulders an appalling dependence on imported energy and a persistent reluctance to use the country's one major untapped domestic energy source, uranium.

The indecision on the nuclear issue has now lasted for more than a decade but the signs are becoming clearer that the Government is prepared to grasp the nuclear nettle—but not yet. "We cannot go on talking about nuclear energy and being afraid of taking a decision on it," Portugal's first and present energy minister, Joao Carvalho Carreira, told the country early this year.

But Carreira's statement is being seen more as a confession that he, too, has caught the indecisive disease rather than an indication of the Government taking an imminent nuclear plunge. Carreira promises a "nuclear position"—whatever that is—this year with a decision sometime in 1983.

If nothing else, the worsening over the past two years of the already acute reliance on energy imports will have focused the Government's thinking.

Importing all its oil (8.1m tonnes in 1980) and 83 per cent of its coal (0.42m tonnes of oil equivalent (toe) in 1980), the past two years have also seen hydroelectricity reservoirs reach record low levels. This has forced state-owned Electricidade de Portugal (EdP) into substantial electricity imports from Spain and France. The country is already 92 per cent dependent on imports for energy supplies in 1980, and the industry and energy ministry is still counting the cost of a dry 1981.

Hydroelectric production from the country's 44 dams and run-of-river plants fell by 37.1 per cent to 4,991m kWh in 1981, pushing up thermal (mainly oil) production by 25.1 per cent to 7,654m kWh and imports by 67.4 per cent to 3,060m kWh. From small exports in 1979—Es 479m ($7.33m), Portugal suddenly found itself paying Es 3.3bn in 1980 and Es 1bn in 1981 in power imports. Portugal's 1981 bill for oil alone reached Es 164.2bn, 64.5 per cent of total imports, compared with Es 12bn, 2.7 per cent of imports, in 1972. Energy imports represented nearly 10 per cent of gdp in 1980, compared with 1 per cent in 1973.

But, with gdp growth projected at 3-4 per cent a year up to 1985 and 3.5-5.5 per cent a year in 1985-90, all parties accept that energy demand will grow even faster, with a predicted energy: gdp coefficient of 1.2. This is not least the result of Portugal's expansion of relatively energy-intensive industries.

Official demand projections, now under revision, see oil imports rising to 11.46m toe in 1985 and 13.75m toe in 1990, and hydro production increasing to 2.57m toe in 1985 and 3.09m toe in 1990. During the decade overall primary energy demand will almost double, according to government projections, from 11.26m toe in 1980 to 21.89m toe in 1990.

To meet this expansion, Portugal is already investing heavily. In 1980, energy investments accounted for 11 per cent of total Portuguese investment and roughly $40bn (1980 prices)—5 per cent of projected gdp—has been committed over 20 years for state investment in the energy sector.

Some of this will go towards expanding the country's already substantial hydro capacity, expanding coal-fired generation and intensifying the search for domestic coal, oil and gas. But the only safe bet, argue many observers in Lisbon, and the only one to make economic sense, is to utilise the country's 8,000 tonnes of proven uranium reserves.

Sr Carreira is known to believe that, if presented as part of a broader package, nuclear power may be acceptable to the Portuguese; piecemeal, it runs the risk of being rejected.

Certainly, other issues confront Sr Carreira, not least where to site a second major coal-fired station as well as how to bring coal ashore to the one already under construction at Sines. But Portugal's first energy minister will be judged on how he tackles the nuclear issue.

Electricity

Although electricity demand fell 1.3 per cent to 15,606 Gwh in 1981 it had risen three times as fast as overall energy demand up to 1980 and is gearing itself to a further annual 7.5 per cent increase up to 1985.

This rapidly expanding demand has caused electricity investment to more than triple from 1976 to 1980, with projection of a further tripling to more than Es 85m in 1985. In 1981, Es 40m was spent, with Es 66m committed for 1982. This programme will see generating capacity expand from 3.6 Gw in 1980 to 5.92 Gw in 1985 and 8.56 Gw in 1990.

As part of its inheritance from the pre-1974 dictatorship EdP found itself committed to compensation for hydro's unreliability with a 2,300 Mw series of oil-fired power stations of increasing size, culminating in the 1,000 Mw Setubal unit south of Lisbon. While the decision to build Setubal was taken as long ago as 1969, completion of its fourth 250Mw unit is not now expected before 1983. The Government and EdP have both agreed that Setubal will be Portugal's last oil-fired station.

Until a decision is made on nuclear power, EdP is looking to coal to provide cheap power to back up, and eventually overtake, hydro output. With only the elderly 150 Mw Tapada, do Outeiro station being coal-fired at present, EdP is hoping to add a further 2,000 Mw-plus of capacity over the next 10 years, based on two sites.

Work on the first of these, at Sines, south of Lisbon, is already far advanced with two 300 Mw units due in operation in 1984 and 1985 respectively. Although no decision on Sines III and IV has yet been made, it is now thought that they will both be bigger than the first units and will be in operation at the end of the decade.

The search is still on for a second large coal-fired power station site. Originally one had been chosen at Viana do Castelo, north of Oporto, but the local opposition forced the Government to reconsider. The Government is now undertaking a study for alternative sites.

Gerard McClosky

TECHNOLOGY

EDITED BY ALAN CANE

Has the industry the skill to seize its opportunities?

BY JOHN CHITTOCK

IF 1981 was the year when the video revolution finally arrived, the first quarter of 1982 was the period in which the established order started to be overthrown.

It may not have quite happened yet in UK broadcasting—with the cable/satellite television issue still in the tight grip of government—but the dust created by so much activity in recent times makes one wonder whether the scene will be recognisable when the air finally clears.

Last week alone saw the London unveiling of Sony's Mavica electronic still camera and associated Mavigraph printer (preceded the day before by the opening of the Victoria and Albert Museum's exhibition tribute to Sony design); the launch a major exercise in video programme sponsorship by Rothmans; the start of Britain's first electronic magazine — 10,000 pages of editorial and advertising on Prestel, free to viewers, called *Electronic insight;* and, of course, the proposal to cable up Britain for TV and data distribution.

Revolution

Earlier this month, some of the blood in this revolution was being spilt. The largest sponsored film company in Europe, with important historical links going back to the '30s, called in the receiver. Cygnet Guild Communications — a 1970's merger of Cygnet Films and the old Film Producers Guild — finally yielded to mounting pressures on cash flow.

Happily, a slimmed-down company re-emerges from this particular crisis, financed by Biggs Communications Group, a company wtih various interest in media and information services. Under the temporary new name of Cygnet Film Video Audio Visual, work at their Bushey Studios and Guild House in London continues.

The new name, like the earlier one with the "Communications" affix, is symptomatic of the sponsored film industry today—no longer really sure which business it is really in. Cygnet had already diversified into video, like many competitors, but was defeated by cash flow problems.

A difficulty facing the conventional film-based productign companies is, of course, the challenge of video and how to present it and cost it alongside film when dealing with clients.

Video and Film

There is an illusion among many sponsors that video production is cheaper than film, when in truth the main distinction arises from differences in time scales and attitudes.

Illustra Communications, a film-based company (which nonetheless operates in video) spent 10 weeks in a cutting room on the editing of a Van den Berghs' cookery film, *The Beeton Way.* The video protagonists, who may have to pay up to £1,500 per day for a video editing suite against the £250 per week for a film cutting room, would point to time as the enemy of film. S. B. Modules, predominantly a video production company, quote a recent charge of £1,100 for one day's video editing—but the entire production was edited in that day, complete with titles, effects and sound track.

On the other hand, the film producer's strength is that he is not being harrassed by huge editing overheads into making snap creative decisions. A film is shaped and honed in the cutting room like a piece of sculpture: a sequence will be viewed, and if it does not work, the producers can sleep on it—try it again the next day, another way. As Douglas Kentish of Illustra says: "With film, we stay in a flexible position."

But there are other valid points of view. Myron Broun of SB Modules stresses that the real-time production methods of video in the studio allow the client to be present and check for accuracy without the fragmented time-scale problems of film. This was important for SB Modules in a series of training programmes made for Allied Breweries on pub and restaurant serving. The sponsors were able to sit in the quiet and darkened atmosphere of the video gallery and check the training points carefully as they unfolded.

Yet neither of these companies would knock one medium or the other. Each medium had its special characteristics, especially in terms of creative control and operational convenience: cost is not usually a factor.

Unfortunately, it is easy to overlook how much money might be concealed in a film. One very well-made sponsored documentary which I saw last week from Film Communications, costing £40,000, involved expensive filming in Brazil and Norway as well as the UK. That budget included only a 30 per cent mark up to cover overheads and profits, which leaves little in the till to cope with these turbulent times. Overtight budgeting was, in the opinion of many, the cause of Cygnet Guild's problems.

Perhaps recognising that straight film or video production is not a licence to make money, some companies are emerging with a broader base of activity in the audio-visual media. Thus Management Communications—started by ITN's ex-science correspondent, Peter Fairley—as well as film and video this company handles radio production, media training courses, boardroom a-v presentations, and even what it calls "crisis seminars" (re-enacted public relations crises for executives).

Production costs

With so much opportunity in the wind, yet perennial difficulties in raising or justifying the costs of production, it is not surprising to see a new company set up to fill the middle ground. Videoscope International, based in London, has been created "exclusively to develop new oportunities for advertisers within the burgeoning video and television markets."

Since advertising agencies have played an insignificant role in bringing sponsors and producers together (and some would say have been the cause of TV commercials costing so much—£100,000 for 30 seconds is not unusual), Videoscope sees a need for providing a service which links together advertiser, producer and new distribution outlets such as video and cable TV.

There is, undoubtedly, a lot of money waiting to be made with these new media opportunities. But greater opportunity—and risks—may demand a higher level of financial skill than this industry can readily demonstrate. Which, for creatively-inclined entrepreneurs, may be just the chance they've been waiting for.

Geoffrey Charlish discusses GEC's plans for monomode fibre optics

Preparing for the long haul

AT THE old London Electric Wire factory at Leyton in East London, GEC Optical Fibres is preparing for the expected upsurge in sales of the new "monomode" optical fibres—the long-haul telecoms transmission medium of the future.

Dr Steven Cundy, managing director, recently transposed from GEC's Hirst Research Centre at Wembley, believes that as soon as the problems of the transmit and receive systems are solved on a commercial basis, sizeable markets will open up with PTTs and other cable network operators.

Expenditure at Leyton on the necessary production equipment is not disclosed, but is believed to be more than £0.5m. GEC says it is ready with the fibre production capacity and plans soon to make the cable as well at Leyton.

U.S. market research company, Creative Strategies International puts last year's world sales of fibre optic cable at 107,000 km, worth $65m and predicts it will rise to $500m by 1986.

However, although monomode sales will increase at 61 per cent per annum, the amount sold will still only be about a tenth of the shipments of the lower performance types (step and graded "index), reflecting the smaller needs of the long haul as opposed to the short haul and local applications at lower data rates.

GEC is able to make most of the types. Technically, however, interest centres on monomode because of its enormous information carrying capacity. It is also less lossy — Leyton is making fibre with a claimed 0.6 dB/km — inferring very few repeaters (en-route amplifiers) for long links. Data rates of 20 gigabits/sec (billions of bits per second) are feasible which, in theory at any rate, allow several million telephone channels.

Bandwidth

In the mid 1960s, when Charlie Kao at STL Harlow and other early workers in the field were first looking at fibre transmission, the hope was that true electromagnetic guided wave transmission of light, in a single mode would be achieved quickly, allowing the enormous bandwidth signified by the use of light frequencies to be realised.

But the inability to make the necessary microscopically-cored fibre, together with pulse dispersion and other related problems meant that fibres until recently have been able to support only multi-mode transmission.

In multimode, rays of light can be thought of as leaving the light source at many angles to the fibre axis and undergoing multiple reflections from the inside "walls" of the fibre.

In effect, the sharp-edged pulses used to send digital data are blurred; limiting the number per second that can be sent and cutting the data rate.

In monomode the core diameter is extremely small (eight microns) and at light wavelengths above 1100 nanometres (billionths of a meter), which is a frequency in the thousands of gigahertz range, only one properly guided mode is propagated. In effect, only one ray moves axially down the core.

Much emphasis is being placed on a particular wavelength, 1300 nm, at which both pulse flattening or blurring (dispersion) due to the glass itself and other losses are at a minimum. Hence, if coherent (single wavelength) parallel-ray light from a laser is used, near-true monomode propagation takes place.

Then, a very large number of closely packed very short light pulses, coded to represent real-world information such as speech, television and data can be sent over many miles without repeaters.

The means of making these fibres are only just leaving the laboratory stage, so that the production unit at Leyton bears more resemblance to a busy laboratory than a factory.

The process starts with making the glass "preform" from which the fibre will eventually be drawn. The starting point is a half inch diameter tube a couple of feet long which has a secret mix of vapour passing through while it is heated along its length in a special lathe.

This builds up the core structure so that when, in the next stage, the tube is collapsed in on itself at 2,000 deg C to make a rod, the makings of the core are already present.

The preform, now a ¼ inch diameter rod, is then hung almost literally from the roof and pulled through a 2,000 deg C electric furnace, forming the fibre which is continuously wound on to a drum.

Inspection

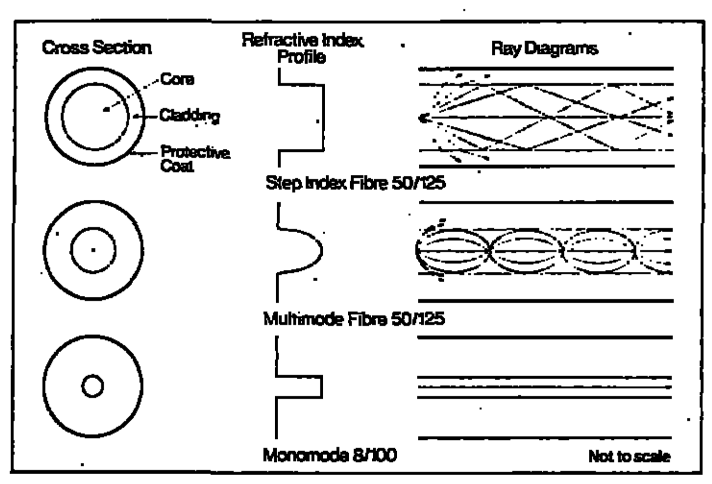
Extensive inspection follows manufacture using both conventional microscopes and also automatic equipment that will trace out the profile of the fibre's cross section.

The tiny core of monomode makes acurate joining of the fibre more difficult since any misalignment of the cores produces high losses. Work is in progress in many laboratories too, on lasers able to produce minute beams of coherent parallel light.

When these, and the problems of multiplexing very large numbers of telephone/data/TV channels are solved, the necessary transmitters and receivers will become commercial propositions and system sales will move forward.

GEC says it will be supplying a complete monomode link to British Telecom next year.

This special-purpose glass lathe at the GEC optical fibres plant at Leyton is traversing high temperature gas jets along the length of a glass tube "pre-form" while a mix of vapours is passed along its length. This builds up the fibre core material; later, the tube is collapsed in on itself by heat to made a rod which can then be pulled out into fibre. Diagram shows how light rays move down the various fibre types. In the monomode variety, the core is so small that only one high bandwidth mode can be propagated.



Curtain sided cold truck

WHAT is claimed to be the first refrigerated curtainsider trailer is now being produced by Boalley, the Congleton, Cheshire-based manufacturer which first designed and patented conventional curtainsider units.

The trailer, the Insuliner, combines the light weight, rapid side loading and extra bulk carrying capacity of the curtainsider with refrigeration for the carriage of perishable goods.

The rigid floor and roof are heavily insulated, while the curtains themselves are made of a quilted cellular material containing trapped air.

The Insuliner is about a ton lighter than a conventional rigid sided reefer. But its key feature is extra capacity for bulk loads.

D. Bailey of Littlehampton, a haulier of fresh produce from southern Spain, says it has been carrying 400 additional tomato crates of 2,400 kilograms compared with a conventional reefer, cutting its haulage costs from 62p to 54p a crate.

The trailer is designed to operate at temperatures of between minus five degrees C to plus eight degrees C depending on type of produce.

Almeria test

In a recent test run, a temperature of plus two degrees C was maintained throughout a three-day journey from Almeria in in southern Spain.

Fork lift with a difference

A MATERIALS handler from Princeton Equipment of Duxford, Cambridgeshire, is said to carry 4,500 lb weight while weighing only 3,500 lb itself.

The new handler, basically a one-man operated fork lift truck, carries the load between its drive wheels.

Princeton, whose parent is based in Ohio, claims this gives *stability which would not be* possible if the load was carried in front like conventional fork lifts.

The handler can be carried piggy back fashion behind a tractor or trailer to the loading/unloading site. More from Princeton on 0223 832888.

Why the disabled shop in Gateshead public library

THE FIRST computer-aided shopping service designed to help the elderly and disabled is now operating in a local library in Gateshead, Tyne and Wear.

The service is run by Tesco, the supermarket chain, in cooperation with the social services and library department of Gateshead Borough Council.

A small computer is equipped with a light pen which can scan a catalogue of nearly 300 grocery products. Each product has a special bar code—now commonly used in supermarkets—which represents the type, weight and manufacturer of the goods as a series of black and white strips.

To order goods the user simply strokes the light pen over the required number of bar codes. The name and address of the customers is also stored in the computer memory.

The computer is, in effect, a computerised cash register which automatically relayed order details to a microcomputer in the Tesco supermarket, at certain times during the day.

At the end of the morning, Tesco makes up the orders for delivery that afternoon. Reaction to the services has been encouraging with the average weekly amount of £8.50 spent each week.

The council extended the service by introducing Prestel. Though primarily intended to provide local news and information, the local Tesco supermarket is to provide shopping information such as special offers, shopping basket prices from the Citizen Advice Bureau and food ranges offered to help with the remote shopping system.

If successful, Prestel could one day be used by everyone for shopping remotely using a specially adapted television set.

ELAINE WILLIAMS

Factoring: a means to a cash flow end

Tim Dickson on a growing financial service

AMONG the many financial services marketed to businessmen in the UK, factoring is one of those most commonly greeted with suspicion.

It is still thought to be expensive, bad for customer relations, and a last resort on the way to bankruptcy proceedings.

The factoring industry has made considerable efforts to correct this bad image and, as a result, has enjoyed substantial growth. Between 1971 and 1981 total UK-based sales factored by the nine members of the Association of British Factors (ABF)* grew from £200m to £2bn, a total which is comprised of the sales of more than 2,600 companies.

The major clearing banks, particularly, latched on to this form of financing when constraints were put on their lending limits several years ago by the Bank of England. Because factoring is not lending — it does not increase a company's debt — banks found it an ideal source of new business. They also found that the smaller businesses were eager to exploit what they saw—at that time particularly—as a means of easing their cash flow problems.

Put simply, factoring is a method of exchanging book debts for cash on an agreed and regular basis. The most obvious advantage apart from smoothing cash flow is that it increases working capital.

Factoring companies offer three distinct services, which are best looked at individually even though they are generally taken together.

Sales accounting and collection. Factors will assume total responsibility for this function, including assessing the creditworthiness of customers, maintaining a sales ledger, sending off statements and reminders and collecting the money owed. They deal directly with debtors so that the client company simply sends off an invoice to the factor and where payment is not achieved immediately (see "Finance") receives a cheque after an agreed period.

Finance against invoices. Factors will advance up to 80 per cent of an invoice immediately it is received. This means sales can be made in the knowledge that most of the payment will be received immediately and the balance generally at a subsequent date agreed between factor and client. Cash flow is improved and the well-administered company will use this to its advantage, notably by taking up discounts from suppliers for early settlement of its own debts.

Bad debt protection. This service is known as "non-recourse" factoring and means that if a customer defaults on his debt the factoring company (not the client) is the one at risk. "Recourse" factoring, where the client picks up the tab, is less common in the UK.

None of these services are free, of course, and the total cost should be seen in two parts. The easiest bit is the interest charge on money advanced against invoices, for this should be similar to the cost of a bank overdraft. The less easily quantifiable element is the "factoring" charge, a percentage of turnover which can vary from anything between 0.75 per cent to 2.5 per cent in extreme circumstances. The most important variables are the number of customer accounts, the quality of these accounts, the number of invoices and the risk if the arrangement is "non-recourse."

Potential clients have to weigh up the costs relative to the savings but according to Michael Mills, of Brown Shipley Factors, "the whole of the sales accountancy work can be done by the factor for a charge often less than normal cash discounts which the company might be prepared to offer merely to obtain its funds earlier."

Factoring is likely to be most useful for companies with strong and expanding sales. Indeed, factors are highly unlikely to support shaky businesses and in common with any financial group will undertake a thorough investigation before entering into an agreement. After all, the factor is primarily backing management and the ability of that management to sell its products to creditworthy buyers.

What about the drawbacks? Besides cost, many companies are worried that customers will object and see the use of factoring as an inherent weakness. This last point may be unfair but the extent to which factors upset customers must depend primarily on the factoring company involved. The big groups admit that tactics in the early days of factoring in this country sometimes tended to be a bit crude but Roger Pilcher, chairman of the ABF, claims that complaints from customers these days "are very rare indeed."

Nevertheless the methods of some less scrupulous operators leave something to be desired. The Drapers Record, for example, recently documented allegations by some retailers that they had received threatening letters and telephone calls.

Any company contemplating factoring should consider the following points:

● Shop around. Charges vary and approaches to three or four companies should pay dividends.

● Take the trouble to go and see the factor's office. See its administration systems and meet the people who will be talking to customers.

● Make sure the factor informs the client when it is sending final demands and solicitors' letters to customers.

**Member companies of the ABF are Alex Lawrie Factors, Independent Factors and International Factors (all part of the Lloyds and Scottish Group); Anglo Factoring Services, which is a subsidiary of J. Rothschild and Co; Arbuthnot Factors (owned by Arbuthnot Latham and Yorkshire Bank); Barclays Factoring (Barclays Bank); Credit Factoring International (National Westminster); Griffin Factors (Midland); and H and H Factors (owned by Walter E. Heller Overseas Corporation and Hambros Bank). Details can be obtained from the ABF secretary, Moor House, London Wall, London, EC2. Tel: 01-638 4090.*

There are six members of the smaller Association of Invoice Factors (Jordan House, 47, Brunswick Place, London, N1 6EE).

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Griffin Factors Limited
Credit Factoring International Limited
Alex. Lawrie Factors Limited
H&H FACTORS LIMITED
BARCLAYS FACTORING
ANGLO FACTORING SERVICES LIMITED

Once bitten—but not too shy to try again

DEREK NEWMAN'S company, Ontime, is just the sort of client factors like Brown Shipley like to have on their books.

Founded in 1965 at Bury St Edmunds, Ontime has grown steadily to a point where sales of its powder coating and screen printed plastic display materials activities now amount to around £1m a year. The company moved North to expand in 1972 and now operates from sites in Workington, Cumbria, and Prescot, Merseyside, where a total of 60 people are employed.

Newman's first experience of factoring was in 1974 when he was encouraged to try out his bank's fledgling factoring operation. "They were loath to give us extra overdraft facilities and suggested this might be the best solution. We soon became disenchanted and we were not given the attention we felt we merited. It served its purpose by releasing money owed by customers but the bank continued to be awkward about the overdraft."

Ontime stopped factoring for a couple of years, then returned to the same bank's subsidiary, only to end the relationship again because it felt the service was too impersonal.

In 1979 Newman was introduced to Brown Shipley Factors, a subsidiary of the merchant bank, which was formed three years ago to provide factoring services for small- and medium-sized companies.

Newman is obviously happy with the service he gets and finds that the people he deals with "offer advice on a wide range of things."

"When we are about to finalise a project with a new customer we tell Brown Shipley and they find out details about the company's past performance and prospects. They check people out and let us know. They are pretty firm and sometimes tell us not to get involved with a particular business."

Newman reckons the biggest advantage of factoring is that it provides his company with extra working capital to expand.

"A factoring company advances our money, not its own money, so that when some big orders come in we can be confident that we have the cash to pay our suppliers. The bank, on the other hand, will not necessarily increase our overdraft in these circumstances."

Ontime, which takes Brown Shipley's sales ledger service and cash against invoices, but not bad debt protection, pays about £40,000 a year on turnover of £1m. The service charge element is about 2.25 per cent.

In brief...

DETAILS of another "Start Up" fund are expected shortly from Triventure, the company set up with stockbroker Laurence Prust to manage the £1.1m Basildon Fund.

Basildon "Mark 2" is likely to be more ambitious than the current version, which was launched in October last year. It will also have a more tax efficient charging structure and will be hoping for support from a wider range of individual investors.

Basildon Fund was the first of the five which have so far been set up under the Government's Business Start-up Scheme. In 1981-82 the scheme allows individuals to claim tax relief at their top marginal rate on equity investments up to £10,000 in a new "qualifying" company (up to five years old). For 1982-83 and 1983-84 this limit has been raised to £20,000 and relief not used in the current financial year can be rolled over to the next.

Dennis Fredjohn, Triventure's managing director, says he is confident that the present Basildon fund will be fully invested by April 5 so that the 150 or so investors in the fund can claim maximum tax relief for this year. Loose ends still have to be tied up with two of the eight companies in the portfolio.

Among the deals which have already been completed is a £140,000 investment in Bahamas Flotilla Cruising, a one-year-old business which is aiming to transfer the flotilla sailing concept familiar to Greece to the Caribbean. The company is headed by Jim Gordon, a well-known sailor who runs two large sailing schools in the UK at Emsworth and Rockley Point.

Fredjohn says the fund has received requests for equity from around 170 projects. Half of these have been dismissed almost immediately and of the rest around 40 have been thoroughly investigated.

"Although the quality of some of the requests is mixed, there is no shortage of applications," he says. "The problem is still finding enough people who are prepared to put up the money. The typical investor in our fund is not the very wealthy man, who is already surrounded by tax advisers, but the fairly highly paid executive from industry who thinks small businesses should be supported in this way."

●

THE Government is making £3.7m available over a three year period to extend its Manufacturing Advisory Service (MAS) to non-engineering firms.

Under MAS firms with between 60 and 1,000 employees receive consultancy for 15 days free of charge and a further 15 man days are available, for which the company pays half the cost.

More than 2,500 engineering businesses have saved an estimated £90m since the scheme was introduced four years ago.

Another new development is that the management of MAS in the North West Region is to be taken over by Salford University Industrial Centre. (Address: Salford University, Salford M5 4WT. Tel: 061-736-8921). Other applications should be made to PERA, the production engineering research and consultancy organisation (Melton Mowbray, Leicestershire, LE13 0PB. Tel: 0664-64133).

●

THE sixth National Small Business Management Teachers' Programme will be held at the London Business School from July 5 to 16. The two-week residential programme will include reviews of the topics and methods which certain institutions teaching small business courses already use.

Barclays Bank and the Department of Industry have agreed to fund the programme for three years to the tune of £5,000 each, so a limited number of bursaries will be available to UK teachers. Information and application forms from Dr Sue Birley, Institute of Small Business, London Business School, Sussex Place, Regent's Park, London, NW1. Tel: 01-262 5050, Ext 389.

●

SUE BIRLEY has also recently compiled a register of academics involved in teaching on small business. Almost 130 people (plus details of their research) are listed, including a number outside the UK.

A question of who buys what and where

SIS, the computer based Supplier Identification System being planned by the London Enterprise Agency (LEntA), has found a backer.

National Westminster Bank has agreed to put up around £10,000 to fund a market research study into the project by PA Management Consultants —a vital step in determining the demand and attitude to SIS of industrial buyers. Although this gives the green light, a further £50,000-£60,000 may be needed annually, though the eventual aim is to make the system self-financing.

The idea of SIS is to increase the volume of business available from big companies to small engineering sub-contractors in the Home Counties. At present big company buyers tend to identify new suppliers from their own lists, trade association directories, commercial advertisers and Yellow Pages, sources which LEntA believes lack detailed and up-to-date information.

SIS, which could eventually contain computerised data on up to 1,000 precision engineering companies is intended to fill the gap.

The success of the system will depend on the quality and depth of the information about small companies made available to large buyers. (They would get the service free and suppliers would pay a subscription of say, £100-£150.)

At the moment the plan is to follow the EEC sub-contracting terminology to identify the processes and machines which potential suppliers have to offer. There are eight different categories, broken down into about 100 sub categories and about 900 sub sub categories. Also included on the computer will be the number and skills of employees, management structure, quality approvals and a certain amount of financial information.

Ray Cobbett, IBM's seconded purchasing manager who is masterminding the scheme at LEntA, says SIS will provide a follow-up to the forthcoming "Can You Make It" Exhibition at Centre Point. Slowing down import penetration is a major aim in both cases. "One of the things we are also interested in," he adds "is what in this country we cannot make."

The PA survey, which will take about 10 weeks, will involve telephone, one to one and group interviews. The study will try to establish what criteria purchasers apply at the moment to new suppliers and how easily they can find information on them. The research will be concentrated in the South-East but will also take in the Midlands to see if regional differences are evident.

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FT COMMERCIAL LAW REPORTS

Arbitration frustrated by delay

PAAL WILSON & CO A/S v PARTENREEDEREI HANNAH BLUMENTHAL

Court of Appeal (Lord Denning, Master of the Rolls, Lord Justice Kerr and Lord Justice Griffiths): March 26, 1982

WHERE a claimant in arbitration so delays proceedings that a fair trial is impossible through no fault of the respondent, the arbitration agreement is frustrated by passage of time and by impossibility of resolving the dispute fairly.

The Court of Appeal so held (Lord Justice Griffiths dissenting) when dismissing an appeal by Partenreederei Hannah Blumenthal, buyers of the vessel, the Pinto, from Mr Justice Staughton's decision in the Commercial Court that an arbitration agreement under which the buyers proceeded as claimants against the respondent sellers, Paal Wilson and Co. A/S, was frustrated.

* * *

LORD DENNING, Master of the Rolls, said that in 1969 Norwegian owners of the Pinto agreed to sell her to German buyers. The agreement contained an arbitration clause. The buyers took delivery on December 9, 1969, and changed the ship's name to Hannah Blumenthal. They operated her for over two years before making a number of complaints to the sellers.

Each party appointed an arbitrator in 1972. Under the arbitration clause a third arbitrator should have been appointed, but that was never done.

Eleven years after the sale the buyers' solicitors thought the time had come to fix a hearing date for the arbitration. The allegations against the sellers related to oral representations made in the preliminary stages of negotiations long before the sale was concluded.

The sellers issued a writ to stop further proceedings in the arbitration. Their affidavit showed that none of their witnesses would be able to give evidence. No-one could remember what had happened at conversations 11 years before.

Mr Justice Staughton said that there could scarcely be a fair trial about oral transactions more than 11 years after they occurred. He held that the arbitration agreement was frustrated.

The point was whether the court was bound by the House of Lords decision in *Bremer Vulcan [1981] AC 909* where an arbitration was allowed to go on 12 years after the cause of action arose.

In that case Lord Diplock said at page 987, ". . . the respondents . . . never made an application for directions. . . . For failure to apply for such directions before so much time had elapsed that there was a risk that a fair trial of the dispute would not be possible both claimant and respondent were . . . in breach of their contractual obligations to one another . . ." Respondents in private arbitrations are not entitled to let sleeping dogs lie and then complain that they did not bark."

The essential reason for the decision, or *ratio decidendi*, which was binding on lower courts, was that the respondents were at fault themselves. The observations about there being mutual obligations were not essential. They were therefore *obiter* and not binding.

The present case was distinguishable from *Bremer Vulcan*. The sellers were not at fault. In point of law they could not have applied for directions until a third arbitrator was appointed, and he never was appointed.

The buyers were guilty of delay which made a fair trial impossible. That was a breach going to the very root of the contract. By their conduct they were guilty of a repudiatory breach which was accepted by the sellers.

Alternatively the sellers could say with all justice, "This was not the arbitration to which we agreed." There had been so long a delay as to make a fair trial impossible, and on that ground the arbitration agreement was frustrated.

His Lordship would dismiss the appeal.

*

LORD JUSTICE KERR, agreeing that the appeal should be dismissed, said that the essence of arbitration agreement was the parties' intention to resolve their disputes fairly. A close analysis of *Bremer Vulcan* did not compel the conclusion that the law insisted on enforcing such agreements when it was no longer possible to give effect to the parties' intention. To do so would be a contradiction in terms of justice and common sense.

The present arbitration agreement was frustrated by passage of time and by the impossibility of resolving the dispute fairly.

Bremer Vulcan decided that both parties to an arbitration, to which no other rules applied, were under a duty of mutual cooperation with each other.

Generally speaking the duty to take and maintain the initiative must naturally lie on the side of a claimant. The respondent would only be in breach of his duty of co-operation if he failed to respond to that initiative.

Lord Diplock's speech did not go so far as to decide the contrary. Had it done so, however, the decision would have been obiter, since the only issue there was as to the existence of some unilateral obligation on the claimants' part which would ground repudiation in favour of the respondents.

The *ratio* in *Bremer Vulcan* led to the conclusion that an arbitration agreement was subject to the ordinary incidents of the law of contract, including the doctrine of frustration where appropriate; but the question whether an arbitration agreement could be frustrated by delay was left untouched.

Frustration by delay in relation to arbitration agreements was "novel." The definition of the doctrine in Lord Radcliffe's speech in *Davis v Fareham [1956] AC* at pages 728, 729, was that frustration occurred when "without default of either party a contractual obligation had become incapable of being performed because the circumstances in which performance was called for would render it a thing radically different from that which was undertaken by the contract."

The doctrine had been invoked successfully in many classic cases because passage of time had brought about a radical change in the nature of the contractual obligation. In all such cases the ground of frustration was in fact the passage of time and not the event as such, which caused the delay.

It was the buyers' fault that a fair determination of the dispute was no longer possible. The duty to take and maintain the initiative in getting on with the arbitration lay on their side throughout. The sellers' duty by virtue of *Bremer Vulcan* to co-operate with the buyers never came into play and was never broken.

*

LORD JUSTICE GRIFFITHS dissenting, said that the essence of frustration was that it was caused by some unforeseen supervening event over which the parties had no control and for which they were not responsible. The doctrine could not be invoked by a contracting party when the frustrating event was at all times within his control; still less could it apply in a situation in which the parties owed a contractual duty to one another to prevent the frustrating event occurring.

In the present case both parties were responsible for the delay. The sellers, if they wished, could have taken steps to bring the delay to an end. In those circumstances the doctrine of frustration could not be applied.

The effect of Lord Diplock's speech in *Bremer Vulcan* was to decide that parties to arbitrations were not entitled to sit back and do nothing and then complain that delay prevented a fair hearing.

For the sellers: David Johnson QC and Jonathan Sumption (Sinclair, Roche & Temperley)
For the buyers: John Hobhouse QC and Timothy Wormington (Holman, Fenwick & Willan)

By Rachel Davies
Barrister

RACING

BY DOMINIC WIGAN

MR IVAN ALLAN, Singapore's leading trainer, is hopeful that Century City can get him off the mark by winning at Leicester today. Mr Allan has horses in training in Britain with Luca Cumani at Newmarket, Mick Easterby at Sheriff Hutton and with Arthur Stephenson at Bishop Auckland.

A late-developing son of the middle distance mare, Pearl Wedding, Century City put up a highly creditable display at Newmarket in the autumn, when chasing home Simply Great, a three-lengths runner-up mare in a field of 23. Cumani's charge should set the ball rolling for Piggott with a comfortable victory over 17 rivals, the best of whom will probably be Stingo.

His Luca Cumani trained Colt, High Top, has the services of Lester Piggott in the opener, the Keythorpe Maiden Stakes, a race the champion landed a year ago through Beeleigh.

With Bruce Hobbs' string already in winning form, it is difficult to look beyond Yard Bird in the Kibworth Stakes. Rajhaan, from whom the Hobbs three-year-old receives 10 lbs, looks the one for forecast purposes.

Robert Sangster has a good-looking and beautifully bred three-year-old in Lady Cox, a filly by Sun Prince, out of Lucyrowe's winning daughter. Lady Rowe, and, what is more, she appears to have a good deal of ability to supplement her looks and pedigree. Beaten a neck by Dev. in a 25-runner event at Doncaster in October, Lady Cox should go one better in the Harborough Maiden Stakes.

LEICESTER
2.15—Century City
3.15—Yard Bird
3.45—Man in the Middle
4.15—Lady Cox*
4.45—Pleasant Dream***

AYR
3.00—Miss Diaward*
4.30—Fast Lad

KEMPTON
3.00—Fauloon
3.30—Scot Lane

WOLVERHAMPTON
2.15—Flying Dreamer

TELEVISION

Chris Dunkley: Tonight's Choice

Lots of drama tonight. BBC-1 starts a new ten-part run of one of its best-ever family soap operas, **Flesh And Blood**. Bill Fraser, who made such an impressive switch from type-cast comedian to character actor relatively late in life, is the patriarch Henry Brassington, head of the family cement business, and Thora Hird plays his mother. ITV screens the single play **Four In A Million**, a television adaptation of the Royal Court's "improvised" production about four entertainers on the northern club circuit, including Beverley played by the talented Tracey Ullman who was so good in the BBC's "Three Of A Kind."

That clashes with BBC-1's "Play For Today" **Eve Set The Balls Of Corruption Rolling**, produced by BBC Scotland. The setting is a reunion for the girls of St. Margaret's Catholic School 12 years after leaving. The classmates recall their schoolgirl fantasies, and the play brings out the power of the religious indoctrination to which they were subjected. Glasgow-born Marcella Evaristi who wrote it also plays the part of Laura.

ITV screens **The 1982 American Academy Awards** which seem to have turned up unfortunately soon after our own BAFTA Awards, and **Everyman** on BBC-1 looks for alternatives to the protestant/capitalist work ethic which has such a powerful hold in this country.

BBC 1

6.40-7.55 am Open University (Ultra High Frequency only). 12.30 pm News After Noon. 1.00 Pebble Mill At One. 1.45 Bod. 2.00 "The Reluctant Astronaut" starring Don Knotts. 3.30 Intergalactic Thanksgiving or Please Don't Eat the Planet (cartoon). 3.53 Regional News for England (except London). 3.55 Play School. 4.20 Secret Squirrel. 4.25 Jackanory. 4.40 The All New Popeye Show. 5.00 John Craven's Newsround. 5.10 Break in the Sun. 5.35 The Perishers.
5.40 News.
6.00 Regional News Magazines.
6.25 Nationwide.
6.50 Doctor Who starring Peter Davison.
7.15 A Question of Sport.
7.45 Taxi (Comedy series).
8.10 Flesh and Blood, starring Thora Hird and Bill Fraser.
9.00 News.
9.25 Play for Today: "Eve Set the Balls of Corruption Rolling" by Marcella Evaristi.
10.45 Everyman: The End of the Work Ethic. Against a background of rising and possibly permanent unemployment this film asks whether it is time to scrap the old work ethic.
11.38 News Headlines.
11.40 In Conversation: Richard Kershaw.

BBC 2

6.40-7.55 am Open University.
11.00 Play School.
3.55 pm Doris Hare in The Old Boy Network.
4.35 Seapower.
5.05 Anthony Rooley plays Farewell Fancy by John Dowland on the lute.
5.10 The Balby Street Kids.
5.40 Laurel and Hardy in "Hog Wild."
6.00 The Waltons.
6.45 Spine Chillers.
6.55 News Summary.
7.00 Huston directs Bogart in "Beat the Devil."
8.30 Russell Harty.
9.00 Pot Black 82.
9.30 Fields of Play.
10.50-11.40 Newsnight.

LONDON

9.30 am World Famous Fairy Tales. 9.45 Wild, Wild World of Animals. 10.10 Animated Classics. 10.55 A Big Country. 11.25 Paint Along With Nancy. 11.55 The Bubbles. 12.00 Button Moon. 12.10 pm Let's Pretend. 12.30 The Sullivans. 1.00 News, plus FT Index. 1.20 Thames News with Robin Houston. 1.30 Crown Court. 2.00 After Noon Plus: Mavis Nicholson and Trevor Hyett are joined by Anthony Howard and Peregrine Worsthorne for Review of the Month. 2.45 The Sandbaggers. 3.45 Welcome Back, Kotter. 4.15 Dr Snuggles. 4.20 On Safari. 4.45 CB TV—Channel 14. 5.15 Emmerdale Farm.
5.45 News.
6.00 Thames News
6.20 Help!
6.30 Crossroads.
6.55 Reporting London.
7.30 Max Bygraves—Side by Side with—Roberta and Lily.
8.00 The Glamour Girls.
8.30 Top of the World
9.00 Four in a Million.
10.00 News.
10.30 The 1982 Academy Awards: Johnny Carson is the Master of Ceremonies
12.15 am Close: Sit Up and Listen with Tony Bridge.

+ Indicates programme in black and white

All IBA Regions as London except at the following times:

ANGLIA

9.30 am Sesame Street. 10.30 Hands. 10.55 Dennis Rousseau. 11.25 Sail Amsterdam. 11.50 Wattoo, Wattoo. 12.30 pm Gardening Time. 1.20 Anglia News. 3.45 Looks Familiar. 6.00 About Anglia. 7.00 Diff'rent Strokes. 12.15 am Tuesday Topic.

BORDER

9.30 am Friends of my Friends. 9.55 Joe 90. 10.20 Young Ramsay. 11.10 Untamed World. 11.35 Paint Along with Nancy. 1.20 Border News. 3.45 Looks Familiar. 5.15 Radio. 6.00 Lookaround Tuesday. 7.00 Emmerdale Farm. 12.15 am News Summary.

CENTRAL

9.30 am 3-2-1 Contact. 10.00 Pro-Celebrity Angling. 10.25 Portraits of Power. 10.50 The Entertainers. 11.15 Champions. 11.35 Tranglobe Expedition. 12.30 pm The Young Doctors. 1.20 Central News. 3.45 Looks Familiar. 5.15 Radio. 6.00 Crossroads. 6.25 Central News. 7.00 Emmerdale Farm. 12.15 am Tuesday Jazz and Blues: Blind John Davis.

CHANNEL

12.30 pm Bygones. 1.20 Channel Lunchtime News. What's On Where and Weather. 3.45 Square One. 5.20 Crossroads. 6.00 Channel Report. 6.30 Looks Familiar. 7.00 Private Benjamin. 10.28 Channel Late News. 12.15 am Commentaires et Previsions Meteorologiques.

GRAMPIAN

9.40 am First Thing. 9.45 The Land of Lots of Time. 10.40 Our Incredible World. 11.05 Golf: USA v The Rest of the World. 12.30 pm Paint Along with Nancy. 1.20 North News. 3.45 Looks Familiar. 6.00 North Tonight. 7.00 The Two of Us. 12.15 am North Headlines.

GRANADA

9.30 am European Folk Tales. 9.40 Joe 90. 10.05 Survival. 10.30 Anna and the King. 10.55 The Bubbles. 11.00 Sesame Street. 1.20 pm Granada Reports. 1.30 Exchange Flags. 2.00 Crown Court. 2.30 Home Front. 3.45 Looks Familiar. 5.15 Diff'rent Strokes. 6.00 This Is Your Right. 6.05 Crossroads. 6.30 Granada Reports. 7.00 Emmerdale Farm. 12.15 am Late Night From Two.

HTV

9.50 am Joe 90. 10.15 Survival. 10.40 The Flintstones. 11.05 Stress. 11.35 International Bowls. 12.30 pm Paint Along with Nancy. 1.20 HTV News. 3.45 Looks Familiar. 5.10 Ask Oscar! 5.20 Crossroads. 6.00 HTV News. 6.30 The Comedians. 7.00 Emmerdale Farm. 10.28 HTV News.

HTV Cymru/Wales—As HTV West except: 12.00-12.10 pm Trebutlau. 4.15 Camgam. 5.10-5.20 The Undersea Adventures of Captain Nemo. 6.00 Y Dydd. 6.15-6.30 Report Wales. 10.30 Y Rhyl—Tref ar y Tywod. 11.15-1.00 am The 1982 Academy Awards.

SCOTTISH

9.30 am Our Incredible World. 9.50 Tuesday Matinee: "A Doll's House," starring Jane Fonda, Trevor Howard and Edward Fox. 11.30 Tayside. 12.30 pm Gardening Time. 1.20 Scottish News. 3.45 Looks Familiar. 5.10 Teatime Tales. 5.20 Crossroads. 6.00 Scotland Today. 6.20 Job Spot. 6.30 What's Your Problem? 7.00 Emmerdale Farm. 12.15 am Late Call.

TSW

9.30 am Larry The Lamb in Toytown. 9.40 Sesame Street. 10.40 Bailey's Bird. 11.05 It's A Musical World. 11.55 The Undersea Adventures of Captain Nemo. 12.30 pm Bygones. 1.20 TSW News Headlines. 3.45 Square One. 5.15 Gus Honeybun's Magic Birthdays. 5.20 Crossroads. 6.00 Today South West. 6.30 Looks Familiar. 7.00 Private Benjamin. 10.32 TSW Late News. 12.15 am Postscript. 12.20 South West Weather.

TVS

9.35 am Survival. 10.00 Story Hour. 10.50 Tarzan. 11.45 European Folk Tales. 1.20 pm TVS News. 3.45 Looks Familiar. 5.15 Radio. 5.20 Coast to Coast. 6.00 Coast to Coast (continued). 7.00 The Real World. 12.15 am Company.

TYNE TEES

9.20 am The Good Word. 9.25 North East News. 9.30 Bailey's Bird. 9.55 Cartoon Time. 10.10 Morning Movie—"The Crimson Pirate," starring Burt Lancaster. 11.50 Sally and Jake. 1.20 pm North East News and Lookaround. 3.45 The Riordans. 5.15 Survival. 6.00 North East News. 6.02 Crossroads. 6.25 Northern Life. 7.00 Emmerdale Farm. 10.30 North East News. 12.15 am Life is Six to Four Against.

ULSTER

1.20 pm Lunchtime. 3.45 Looks Familiar. 4.13 Ulster News. 5.15 Radio. 5.30 Good Evening Ulster. 6.00 Good Evening Ulster. 7.00 Emmerdale Farm. 10.29 Ulster Weather. 12.15 am News at Bedtime.

YORKSHIRE

9.30 am Larry the Lamb. 9.40 Sesame Street. 10.40 Patterns. 11.05 Wilderness Alive. 11.55 The Undersea Adventures of Captain Nemo. 12.30 pm Looks Familiar. 1.20 Calendar News. 3.45 Calendar Tuesday. 5.15 Benson. 6.00 Calendar (Emley Moor and Belmont editions). 7.00 Emmerdale Farm.

RADIO

(S) Stereophonic broadcast.

RADIO 1

5.00 am As Radio 2. 7.00 Mike Read. 9.00 Simon Bates. 11.30 Dave Lee Travis. 2.00 pm Paul Burnett. 3.30 Steve Wright. 5.00 Peter Powell. 7.00 Talkabout. 8.00 David Jensen. 10.00-12.00 John Peel (S).

VHF Radios 1 and 2—5.00 am With Radio 2. 9.00 pm Listen to the Band (S). 9.30 The Organist Entertains (S). 9.55 Sports Desk. 10.00 With Radio 1. 12.00-5.00 am With Radio 2.

RADIO 2

5.00 am Ray Moore (S). 7.30 Terry Wogan (S). 10.00 Jimmy Young (S). 12.00 Gloria Hunniford (S). 2.00 Ed Stewart (S). 4.00 David Hamilton (S). 5.45 News, Sport. 6.00 John Dunn (S). 8.00 The Golden Age of Hollywood (S). 9.00 Boxing Special. 10.00 The Arthur Askey Show. 11.00 Brian Matthew with Round Midnight. 1.00 am Truckers' Hour (S). 2.00-5.00 You and the Night and the Music (S).

RADIO 3

6.55 am Weather. 7.00 News. 7.05 Morning Concert (S). 8.00 News. 8.05 Morning Concert (continued). 9.00 News. 9.05 This Week's Composer: Walton (S). 10.00 Prokofiev and Schumann piano recital (S). 11.00 Mozart (S). 11.55 BBC Welsh Symphony Orchestra, part 1 (S). 1.00 pm News. 1.05 Six Continents. 1.25 BBC Welsh Symphony Orchestra, part 2 (S). 1.55 Roger Stapleton and Vaughan Williams (S). 2.40 Mozart (S). 3.45 Cesar Franck chamber music recital (S). 4.25 Jazz Today (S). 4.55 News. 5.00 Mainly for Pleasure (S). 7.00 Understanding McLuhan. 7.45 Two Schumann Symphonies (S). 9.00 English as She Is Spoke. 9.10 Hindemith: Das Marienleben song recital (S). 10.35 The Living Poet. 11.00 News. 11.05-11.15 Sibelius.

RADIO 4

6.00 am News Briefing. 6.10 Farming Today. 6.25 Shipping Forecast. 6.30 Today. 8.33 Yesterday in Parliament. 8.57 Weather, travel. 9.00 News. 9.05 Tuesday Call (Spring Gardening). 10.00 News. 10.02 From Our Own Correspondent. 10.30 Daily Service. 10.45 Morning Story. 11.00 News. 11.05 Thirty-Minute Theatre (S). 11.35 Wildlife. 12.00 News. 12.02 pm You and Yours. 12.27 Detective. 12.55 Weather, travel, programme news. 1.00 The World at One. 1.40 The Archers. 1.55 Shipping Forecast. 2.00 News. 2.02 Woman's Hour. 3.00 News. 3.02 Bleak House (S). 4.00 Ebdon's England. 4.15 Arabic Spring. 4.45 Story Time. 5.00 PM: News magazine. 5.50 Shipping Forecast. 5.55 Weather, programme news. 6.00 News including Financial Report. 6.30 Brain of Britain 1982 (S). 7.00 News. 7.05 The Archers. 7.20 Medicine Now. 7.50 Animal Language (S). 8.20 The Dillen. 9.05 In Touch. 9.30 Kaleidoscope. 9.59 Weather. 10.00 The World Tonight. 10.30 Semi-Circles. 11.00 A Book At Bedtime. 11.15 The Financial World Tonight. 11.30 Today in Parliament. 12.00 News.

THE ARTS

Bristol City Art Gallery

Rysbrack triumphant by ROY STRONG

The study of English sculpture remains still a relatively unexplored field. For some unknown reason it has attracted in the main women scholars: Katherine Esdaile, Margaret Webb and Margaret Whinney. Their work, together with Rupert Gunnis's indispensable *Dictionary*, form the pioneering mainstay of a neglected area of knowledge and even more of appreciation. It is therefore all the more commendable that the City of Bristol Museum and Art Gallery should stage an exhibition devoted to the work of Michael Rysbrack. Not over large it is presented with concision and taste. More remarkably it is accompanied by a catalogue, fully illustrated and researched, at the knock-down price of £4. May those donors listed in the director's preface take a curtain call for their well placed benefaction.

Why Bristol for Rysbrack? This is quickly answered. Queen Square is dominated by one of the great equestrian statues in this country, his William III. Erected in 1736 as a gesture of loyalty to the Crown and the Hanoverian Protestant succession, it epitomised the aspirations of the merchants and burgesses of early Georgian Bristol. It was a period of strong civic pride and expansion expressed in a whole series of new public buildings and charitable institutions. But the statue stands, less appreciated than it should be, to this day.

Statue of Rubens by Rysbrack

It is a noble object, the bronze casting alone a feat, reflecting Rysbrack's acknowledged attention to workmanship and detail. The fluttering cloak and dress remind us quickly of the sculptor's origins; Antwerp in the late seventeenth century. He was to arrive in the London of George I at the age of 26 in 1720 and die half a century later. To all intents he ranks as British.

The immediate impact is one of sheer technical virtuosity. The exhibition opens with a bravura terracotta of the Bristol-born philanthropist, Edward Colston, modelled when Rysbrack was in his early thirties. It is a work of such directness and vigour that it is difficult to believe that it is posthumous and worked up from a painting. The idiom is heavily baroque in its swagger and thrust and one feels the line of descent from a man trained in the country of Rubens and who never went to Rome.

So much of the aspirations expressed in his work seem to be attempting to compensate for that lack, the accumulation of vast collections of books on the antique and casts and copies of the "most beautiful statues," the effects of which, eventually refined his work to an Augustan gravity better suited to the demands of the palladian movement.

Colston was modelled about 1726. Eleven years later he portrayed Henry St John, Viscount Bolingbroke in marble. What a startling contrast. Gone are the wig, the jacket, shirt and cloak and along with it the swagger. Instead Augustan *gravitas* reigns, a noble Roman head, polled, a toga looped across his shoulders.

Move on yet another decade to the handsome terracottas of the 2nd and 4th Dukes of Beaufort and the transformation is complete. The English aristocracy are Roman patricians and the classicism of interpretation already anticipates the frosty chill of Wilton and Flaxman when the blood was finally drained off. The latter should have resisted his cheap jibe that Rysbrack was "a mere workman, too insipid to give pleasure, and too dull to offend greatly." Without Rysbrack Flaxman could never have happened.

But it was the lingering baroque that upset them. The truth ofthe matter is that it did not only linger. It could actually romp to the surface and that impresses because his style responds to his subject matter and early on there is a strong historicising streak. Nothing brings this out more strongly than the two busts of Rubens and Van Dyck, described by Vertue as "highly finish and masterly done." Executed at the same time as the severe Bolingbroke, they boldly emulate the baroque and above all suggest that Rysbrack must have seen and studied something like Bernini's *Mr Baker*. These are virtuoso pieces of technical accomplishment alone in the undercutting of the lace and the hair. They can hold their own surely with most that was being produced in Europe at the time and there is no call for apology.

Our taste has never really extended to what we crudely dismiss as furnishing pieces but it should. The two busts of the young and old Milton are as equally startling.

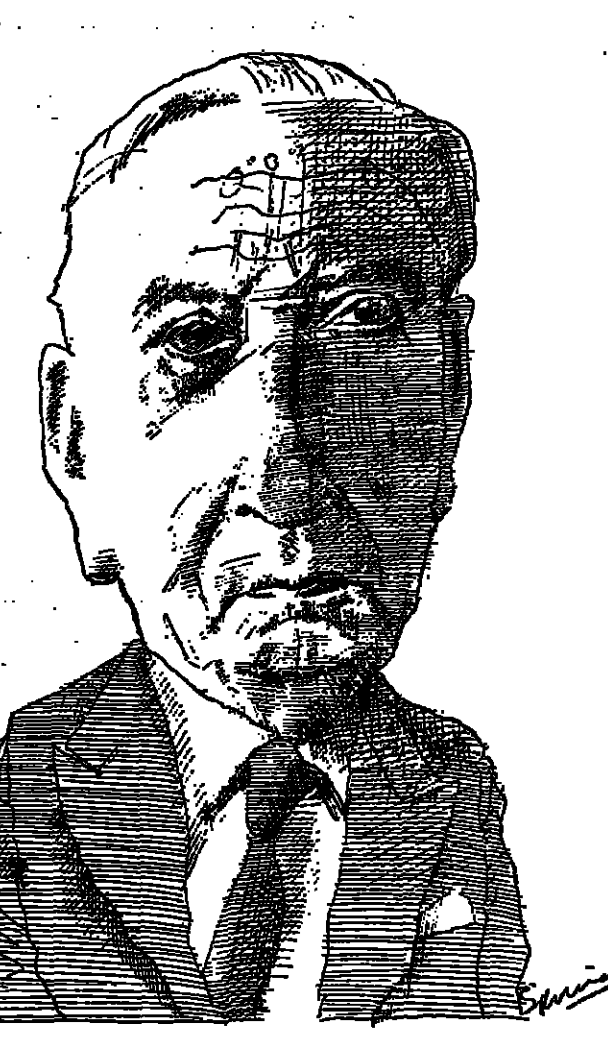
Indeed, one of the difficulties of an exhibition of this kind is to put over the social and environmental conditions into which the commissions fit, the contributions of Rysbrack to Henry Hoare's paradise at Stourhead and Queen Caroline's Kew, to the interior decoration of Houghton or Clandon, to the countless churches in which his vast funerary monuments rose. The latter indeed are what we primarily associate Rysbrack with, above all the noble monument to Newton in Westminster Abbey.

It is amusing to witness, in his numerous beautiful designs made to present to his clients, his adaptation to Protestant England of the formulae of Catholic Europe. Time, Fame and the Virtues replace the saints of old in their attendance upon the departing great. In the tombs, too, there is the same stately progress from the lingering baroque of Sir Edward Seymour's monument at Maiden Bradley, reclining in contemporary wig and dress, erected in 1728-30, to the full-length antique figures that adorn that to the 2nd and 3rd Dukes of Beaufort. By that date any incipient movement of the departed has been stilled in favour of a stately tableau of frozen aristocratic splendour.

What we get above is a good picture of the man; a workaholic with a sense of humour, blessed with extraordinary gifts and taste. The Soldi portrait from Yale sums it all up. Callipers in hand he gestures towards his terracotta model of Hercules executed for Henry Hoare in emulation of the antique Farnese Hercules in Rome. No, Rysbrack is saying, I have not visited the Eternal City. I have made it on my own. And he was right.

Elizabeth Hall

Tribute to Walton



The Nash Ensemble's tribute to Sir William Walton on Sunday evening was characteristically intelligent in its conception, deft in its execution. Alongside the inevitable *Façade* the group placed Satie—his *Sports et Divertissements*—and Constant Lambert's piano concerto, both works shedding their own illuminating beams on Walton's precocious masterpiece.

Satie's miniatures were given in an orchestration by Dominic Muldowney, which had a highly credible French tang, with suitably burbling woodwind and thin string textures—very much Satie as patron saint of Les Six. The Nash has a light, witty touch in music with a Gallic feel, and under Lionel Friend's direction the performances could, one felt, have stood without Eleanor Bron's speaking of Satie's accompanying text: the prologue apart, the wit resides as much in the music as in the commentary.

Constant Lambert was a brave, apposite inclusion for a Walton celebration. *Façade* is dedicated to him, and some of his influences which get overlooked in Walton's stylistic make-up are more easily perceived in Lambert's music: the dandified humour of Les Six again, the neoclassical Stravinsky and its transmutation through Boulanger, and more amorphous, a bittersweet melancholy which high spirits usually do their best to dispel. In the piano concerto of 1931, the melancholia is dominant. It was written as a memorial to Philip Heseltine, and Lambert's inability to focus his musical ideas sharply enough makes the work outstay its welcome; the ideas would be better packaged in a work 10 minutes shorter. The pianist on this occasion was Ian Brown, technically very capable, but almost too assured; at crucial points the solo playing tended to lose its percussive, angular quality and hence some of its character.

The reciters in *Façade* were Eleanor Bron and Edward Woodward. Miss Bron is an old hand at this work, and her performances have a dazzle and finish which is difficult to resist. Mr Woodward started more stiffly, but gradually relaxed and began to enjoy his taxing role. The Nash contributed its expectedly agile solos; a special mention, though, for John Harle's liquid saxophone playing in "Through Gilded Trellises" and the "Jodelling Song."

ANDREW CLEMENTS

St. John's Smith Square

Music of Today by DOMINIC GILL

Saturday's Philharmonia concert, conducted by Michael Tilson Thomas and played to a small but enthusiastic audience in St. John's, was doubly noteworthy: for the enterprise of the orchestra itself in promoting a series of programmes under the title of "Music of Today" devoted to open rehearsals and performances of new and recent work: and for the fact, perhaps more significant still, that the series is commercially sponsored by the House of du Maurier—the one single example in the whole of the British Isles of a firm sufficiently honourable, open-minded and adventurous to divert at least a substantial part of its music sponsorship budget from the usual safe, well-tried and predictable paths to the experimental, risky and new.

The evening's premiere was by the young composer (b. 1948) Jonathan Lloyd—not a brand new work, but the first London performance of *Everything Returns*, dating from 1977-78, the centrepiece of an orchestral triptych as yet unpublished and unperformed. It is the most engaging of Lloyd's works that I have so far heard. It displays many of the same preoccupations: a yearning for, and at the same time a paradoxical rejection of, Chaikovskian lushness (a theme from *Sleeping Beauty* is wound amorously into the figurations of *Everything Returns*); and a penchant for jazzy rhythms and big-band textures. The piece is short, barely 15 minutes long; and in a curiously frank and open-hearted way, exuberant and unpretentious, it works. Some extravagant, and premature, claims have been made for Lloyd's music; but this colourful essay whets the appetite to hear the triptych complete, and also speaks—in its impressive command of the medium—of a real and deeper promise.

The Philharmonia's programme also offered the chance to hear, after many years' absence from the London stage, a major orchestral work by the American composer Morton Feldman. The fourth of Feldman's *The Viola in my Life* series is, like the other three, a delicate and wistfully romantic song for viola, many times repeated, coloured with a shifting tracery of instrumental combinations, very spare, very quiet—though punctuated (a new departure for Feldman this, in the early 1970s) by just two impassioned fortissimo outbursts: tiny paeans of joy.

Purcell Room

Penelope MacKay by DAVID MURRAY

With Robin Bowman at the piano on Sunday, Miss MacKay not only sang four of Poulenc's song-sets, but enacted his Cocteau monodrama *La Voix Humaine* with suitable props. It seemed the right sort of thing for her to be doing, but perhaps not yet. Her natural advantages include a light, clear, forward soprano, able (usually) to leap easily to a remote pitch and get it right, and an attractive presence, and a communicative manner; what she chiefly lacks is French, and with it a sufficient grasp of what Poulenc makes of his texts. After all, Poulenc rivals Hugo Wolf for clairvoyance in setting poems of complex feeling. For his best songs, generalised good intentions aren't good enough.

By and large Miss MacKay was never far off the mark in spirit. She began, however, with the *3 Poèmes de Louise Vilmorin*: the first two are rapid, and were unintelligible here, and the desperate, erotic "Officiers de la Garde Blanche" was shapeless. (The necessary eloquence eluded Mr Bowman too, struggling with the piano-pedal — but otherwise his idiomatic playing was among the pleasures of the evening, with flashes of real finesse.) The *Fiançailles pour rire* were promising sketches, like the Max Jacob songs, though the latter want a colloquial directness that non-natives can hardly manage. There were only a few, plain mispronunciations, but all the usual English faults: syllables with *-in* and *-ain* always too dark, *-on* too light (Miss MacKay made it identical with *-an*), *-eur* a mere British *ürr*. These things were suddenly much better in *La Courte Paille*, as if good coaching there had failed to rub off on songs learned earlier.

Prosody, of course, suffered, and with it sense. *La Voix Humane* was sung in English, which both helped and didn't: Miss MacKay displayed a proper flair, but allowed short English sounds to break up the melodic line cruelly — in a mini-opera so repetitive with the two-bar phrases that its expansive stretches need to be treasured. Still, it was a courageous performance; Poulenc wrote the piece for a distinguished musical actress (Denise Duval) who could carry off Cocteau's high-camp "tragedy" with a modish setting and a ripe orchestra, and this pocket edition (produced by Nicholas Hytner) at close quarters was a daring risk. Miss MacKay's talent deserves firmer direction, and somebody should take it in hand.

Tom Courtenay to play Andy Capp

Tom Courtenay is to play the title role in the Royal Exchange. Theatre, Manchester, production of the new musical *Andy Capp* this summer.

He will join forces with singer-songwriter Alan Price, who had the original idea of putting the cartoon on the stage, actor-playwright Trevor Peacock and production team of director Braham Murray, designer Johanna Bryant and lighting designer Michael Williams.

Dates for the run are June 29 to August 19.

Logan Hall, WC1

Antony and Cleopatra by MAX LOPPERT

With a grand cast—Leontyne Price, Justino Diaz, Jess Thomas, Thomas Schippers as conductor and an extravagant Zeffirelli production, Samuel Barber's Shakespeare opera opened the new Metropolitan in 1966. But it was not a success, and gained no niche in the New York repertory. Later, the composer revised and reduced the opera; and it was in this later version that *Antony and Cleopatra* received its British premiere, a Camden Festival concert performance by Abbey Opera, last Saturday.

It was a gesture worth the making—Camden is always a good place to test received critical opinion—but it failed to convince me that the opera will have fired many British enthusiasts. On this encounter, the opera seemed a thoroughly professional piece of "operatisation," just the job of boiling down a great play to a glossy occasion piece you might expect of a composer long known for his post-Puccinian symapthies: and, on the larger view, an almost total failure. Failure not just as sample of that jinxed species, the Shakespeare opera, but failure to be good Barber, who in his long career much earlier composed (in such as *Knoxville* and the Hermit Songs) vocal music of fastidious craft and bright-eyed sensitivity beautifully intertwined.

Antony rolls off the production line, love music (in studiedly "soaring" Italianate manner) and martial music (whose piles of fourths have supped heavily at *Belshazzar's Feast*), choral interjection and orchestral interlude—the compression and rearrangement of the text raise objections not for their manner of achievement but for the music they have inspired. Three passages alone rise to something momentarily more: Cleopatra's interview with the messenger (Act 1); the anxious trio of guards (Act 2): and the dialogue, strikingly set over kettledrums, of Antony and his shield bearer. One "hears" the famous Price star-shining high notes in Cleopatra's line, and the Thomas mettled tenor in Octavius's; but of more than mechanical characterisation there is little sign.

This was one of Abbey Opera's best efforts — under Antony Shelley's direction the orchestra was alert, if not exactly glamorous of tone, and relative failures came only in the work of a hard-pressed chorus. Perhaps a richer sense of vocal luxury is still to be disclosed: David Wilson-Johnson was a very strong but not mature Antony, and Suzan Bingemann was a clear, well-schooled but not sensuous Cleopatra: Donald Stephenson made a brave shot at Octavius. A sense of theatrical contrivance and compositional anonymity was one one took away most fully from the occasion.

Arts news in brief

Mr Paul Channon, Minister for the Arts, has announced that the Duke of Kent has accepted an invitation to become chairman of the United Kingdom committee for European Music Year in 1985.

The concept of European Musica Year stems from a resolution of the European Parliament which has been endorsed by the Council of Europe and the European Commission.

1985 is the tercentenary of the births of Georg Friedrich Handel, Johann Sebastian Bach and Giuseppe Domenico Scarlatti.

★

After a year of negotiations, a deal has been agreed between William Burdett-Coutts, director of Assembly Productions, and Edinburgh International Festival director, John Drummond, to house official Festival events at the Assembly Rooms, Edinburgh's largest Fringe venue.

This follows the success of the Assembly Rooms as a first-time venue in last year's Fringe Festival when over 60,000 people attended 35 shows in three weeks.

★

The House of du Maurier has commissioned a new work from Michael Berkeley, which will be given its first performance by the Philharmonia, conducted by André Previn, at the Royal Festival Hall on Thursday, April 22.

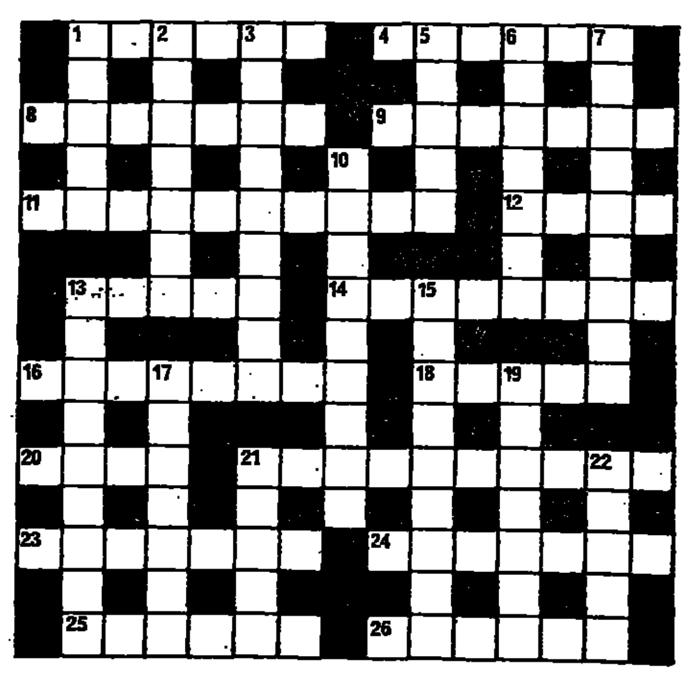
The title of the new work is *Gregorian Variations*. It lasts for approximately 15 minutes and is scored for large orchestra.

★

The Victoria and Albert Musem has launched a 24-hour recorded information telephone service. By dialling 01-581 4894, potential visitors can get details such as opening hours, exhibitions, their admission prices and other openings and events at the V and A.

The two-minute recording is changed every week.

F.T. CROSSWORD PUZZLE No. 4,835



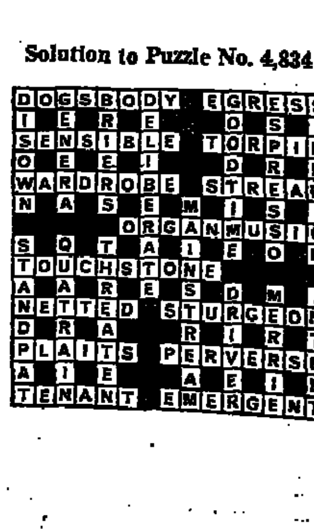
ACROSS

1 "That's the wise —; he sings each song twice over" (Browning) (6)
4 One who utters a coin (6)
8 His party is concerned with the past (7)
9 Deserts Russians concerned with hostilities (7)
11 New party steps in a critical situation (6,4)
12 An officer without a tenant gives place (4)
13 An expression of gratitude—you have Mitterrand's word for it (5)
14 Antique pottery seen on the way to Brighton (3,5)
16 Automobile suits involving dead bodies (8)
18 Keep an eye on the student (5)
20 Like a first class return to the continent? (4)
21 Sound extrêmes give you something to play on (10)
23 A member of an Inn may get back in Parliament (7)
24 Just arrest for a pretty WPC (4,3)
25 Sneak in the bank (6)
26 Kingsley's was forsaken (6)

DOWN

1 In this city one is on the job (5)
2 Routine on the hill—it keeps going round (8)
3 Miserable failure calling for apology to a girl (5,4)
5 Tartan trousers (5)
6 Creeper gives a shot of what is coming (7)
7 Communist writer marks the errors (3,6)
10 The officer's horse is the chief obstacle (5,4)
13 Examination of resources indicates a trial (5,4)
15 One with a certificate made pilot with a difference (9)
17 Opportunity for a learner in church (7)
19 New look policy leaves me out (7)
21 "What a — of work is man" (Hamlet) (5)
22 The golf course is right in the Scottish town (5)

Solution to Puzzle No. 4,834



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Tuesday March 30 1982

The problem of bank lending

THE FULL analysis of bank advances and acceptances up to February published yesterday by the Bank of England explains in a little more detail than before the apparently explosive growth of credit demand in the UK which is provoking so much discussion in the financial markets.

Growth in the most recent months can be explained by accelerated tax collections following the Civil Service strike, and may have been inflated by the odd yield structure, produced by the Bank of England's aggressive buying of commercial bills; but over the year as a whole it remains much higher than expected, at almost exactly a third; and its continued growth poses some puzzling questions about future policy.

Money incomes

As we have explained in recent comments on the global figures, this is only partly a question of controlling monetary growth. The growth in the Bank of England's holdings of commercial bills has financed perhaps a quarter of the growth outside the money supply, through official over-funding.

However, the growth of bank lending is of interest in itself, for when debt grows by a third in a period in which money incomes have grown only by a tenth, the balance-sheet of the whole private sector is weakened and this must also imply some dilution of the quality of banking assets. Unless the growth can be explained in a satisfactory way, or checked by some means other than raising interest rates, the Government's present strategy aimed at lower rates must come into question.

As is now well known, two categories of lending have shown quite abnormal growth, for reasons unconnected with the general cost of credit. Industrial leasing enables tax-exhausted companies to enjoy the benefit of investment write-offs; and the banks have also been mounting a vigorous invasion of the house purchase market. These two categories alone account for more than two-fifths of the total growth of sterling lending, and have been growing at more than twice the rate of other lending. Nevertheless, lending outside these categories grew by 26 per cent in the year to February, which is itself an unsustainably rapid rate.

While this growth will slacken, it is to be hoped, as profit margins improve and inflationary pressures slacken, this cannot simply be taken for granted; it is a fever chart of the financial condition of British commerce, and deserves to be monitored as part of the evidence on which monetary policy decisions are based.

In any case, it cannot be taken for granted that a slackening in general credit demand will slow the growth of total bank lending. It seems clear that the banks' drive into new markets is partly a response to a shortage of demand compared with the rate of expansion which the banks could finance out of their greatly inflated profits. It is no doubt with this in mind that the Chancellor made his general threat to raise more revenue from the banking system in future.

However, this must immediately raise the question of industrial leasing; for it is through the capital allowances attracted by leasing that the banks have been able to defer most of their tax liabilities. This suggests either that the Government should review its policies for capital incentives—which may be desirable in itself—or revive some other tax base, such as the "once-for-all" tax raised last year on interest-free deposits.

Rapid growth

Such a tax—or alternatively, a speedy decision by the clearers to pay interest (which is taxable) on current accounts—might indeed reduce the profit growth and hunger for expansion of the banking system. This would surely be healthy, and the Chancellor's threat is therefore welcome. Meanwhile, however, we must repeat that the rapid and unbalanced growth of lending is also an issue of prudent banking supervision. The British banks now have more than a sixth of their assets in the highly illiquid form of industrial plant and long-term mortgages. There must be some prudent ceiling to this rapidly-rising ratio, and the Bank of England should make its view clear.

A better way to help farmers

IT IS PROBABLE that the Government's tactics of vetoing an agreement on farm prices until a solution is found to the problem of Britain's contribution to the EEC budget will be successful. But whatever concessions are made on the budgetary front, it is unlikely that anything will be done to resolve the perennial cause of crisis within the Community, which is the cost of the Common Agricultural Policy in its present form.

The CAP was envisaged 25 years ago as a farm policy with common prices throughout the Community within a protective barrier against third country imports. Its funding has absorbed up to 70 per cent of the Community budget and, in addition, European consumers have had to pay food prices substantially above those on world markets for most temperate foods.

World prices

Farmers have certainly benefited. Stimulated by high guaranteed prices, they have increased their production to levels well above European demand, which in some sectors is actually falling.

At first these surpluses built the massive mountains of farm products which were so embarrassing to justify. Now the policy is to hide them before they can grow by exporting them with the aid of restitutions or subsidies to match world prices. It is an insult to common sense that butter consumption in Britain is expected to fall by two-thirds because consumers are turning to cheaper fats, while the taxpayer will have to foot the bill for supplying surplus EEC butter to the Russians and other bargain-basement customers.

The Community is now the largest exporter of dairy products, and a very substantial contributor to world trade in beef, grain and sugar. These activities infuriate those countries which have been traditional suppliers to the world market and do not have the resources with which to match EEC price cutting.

Such surpluses and such resentment are the result of open-ended price guarantees to which farmers have responded with an increasing productivity which shows no signs of abating. There have been attempts to check this trend by co-responsibility levies on milk or by offering financial inducements to give up dairying, but to no avail. There are two reasons for this ineffectiveness: the Council of Agricultural Ministers, which to all intents and purposes is a lobby for national farmers' interests, and national governments themselves.

These governments are repeatedly interfering in what should be a truly competitive common agricultural market with what are called national aids. The most obvious are direct payments to farmers for which the French are before the European Court at the moment. But they are far from being the only means by which every government looks after its own farmers. There are disease restrictions and other barriers to free trade between member countries and subsidies open and concealed. In fact, inequality is paramount. Even farm prices vary nationally, due to currency differences.

Excessive price guarantees, disguised government aids, over-production, overseas dumping: the danger is that this chain of undesirable causes and effects will once again be left untouched by the European Council now meeting in Brussels. The recent level of world prices has produced a temporary pause in the rise in appetite of the CAP for Community funds and when, and if, the UK is offered an acceptable compromise on the budget its desire for CAP reform will become less pressing.

Large-scale

The search must continue for a form of CAP which will maintain the income of Europe's poorer farmers at a politically acceptable level, but which will not dominate the Community budget

These constraints point in the direction of a system which relies on income guarantees as well as price guarantees. The problem with the guaranteed price is that it tends to be set at a level which is less than adequate to support the small-scale European farmer more than adequate to entice the large-scale farmer into over-production. The advantage of guaranteed income is that it can allow a degree of discretion to individual governments to support their farming communities as they see fit, and at their own expense.

Anatole Kaletsky in Washington reports on how 'Tom' Clausen is making his mark at the World Bank

Clausenomics: How the World Bank is changing

FOR HUNDREDS of millions of people, dozens of governments and thousands of investors, Mr A. W. ("Tom") Clausen is one of the world's most important men.

He is important because he runs the World Bank, and the World Bank is the biggest single source of development funds for most of the poorer countries in the world. It is also the biggest non-resident borrower on almost all the financial markets where it obtains these funds.

For some governments in the Third World its support can make the difference not just between the success and failure of their development plans, but between the very survival and collapse of their political power.

For such an important man, Mr Clausen is surprisingly modest in some of his aims. "One of my main management objectives," he says, "is to make the perception of what the Bank does nearer to what it actually does."

A concern like that may seem trivial and pointless in view of the enormous challenges of world development. In fact it is at present Mr Clausen's most essential task. For the Bank's major shareholder—the U.S. Government—has been openly hostile to what it believes to be the Bank's methods and aims. And the developing countries, which are the Bank's reason for existence, are deeply suspicious of anything that Mr Clausen—a no-nonsense commercial banker, a political conservative and the U.S. Government's appointee—might do to address the concerns of the U.S.

To make matters even trickier for Mr Clausen, the World Bank is a very "presidential" institution. Its structure and traditions ensure that the President's views soon become the views of the Bank. Thus for the past nine months, since Mr Clausen became president, the developing countries, the U.S. Administration and the Bank's own employees have been carefully examining his every word and action for signs of where he intends to take the Bank.

Will he attempt to turn the Bank into a sort of alchemical laboratory in which "the magic of the market" works wonders for worldwide Reaganomics? Or will he stick to the socially conscious, redistributive course charted by his predecessor, Mr Robert McNamara—a man whom some of President Reagan's supporters had accused of using the Bank to work off his personal guilt feelings about having been Defence Secretary at the height of the war in Vietnam?

If he ignores the Reagan Administration's warnings he could well jeopardise further the already precarious finances of the Bank, and in particular its interest free loan arm, the International Development Association.

When Mr Clausen took over the Bank the Reagan Administration's charge sheet against it read something like this:

- The Bank had grown too fast, had been too "soft" in its lending terms and had concentrated on the quantity, not the quality of its loans.
- It had devoted itself to alleviating poverty directly instead of doing so by promoting efficiency and economic growth.
- It had failed to bring private financial institutions into development and had not weaned its richer borrowers away from aid.
- It had not been aggressive enough in making its clients change their economic policies in return for aid.

Mr Clausen believes that the stark dichotomies posed in these allegations—private versus public, poverty versus growth, quantity versus quality—are totally misleading. The Bank, he argues, has always done many of the things which its critics now urge.

Its technical work is highly regarded. Its projects typically earn economic returns of 20 per cent in real terms and it never lends on less than a 10 per cent prospective rate of return.

There has never been a default or a single loan rescheduling, while the International Development Association's interest-free loans are made only on projects that would also satisfy the rate of return criteria for the IBRD.

Thus on the first broad criticism, about the Bank's efficiency, it is relatively easy for Mr Clausen to defend the Bank. Indeed a detailed report on all the multilateral development banks published this year by the U.S. Treasury at the special request of the Reagan Administration's sceptics concluded that the Bank was generally successful in achieving its aims in terms of profitability, rates of return and project completion.

However, this is not how everybody sees the Bank. In particular, the U.S. Congress shows no signs of being willing to release the $3.24bn which the Carter Administration promised to contribute to the IDA between 1981 and 1983, even on the stretched out four-year timetable adopted by the Reagan Administration.

Mr Clausen knows about prejudices against the Bank from personal experience: "People in the Congress say the Bank lends to socialist countries, that it keeps less than superb governments in power, that it hands out 'welfare' and wastes money. They are wrong . . . .

But even my perception of the Bank was wrong before I saw it from the inside. It is a much more conservative, efficiency-oriented and soundly financed institution than I ever thought before I got here."

Mr Clausen's response to this image problem has been to suppress the crusading rhetoric of the McNamara Bank. He shuns even the concept of a world divided into two interdependent poles—the rich North and the poor South. Instead his speeches concentrate on the complexity of economic interdependence and the benefits of Third World development for the industries of the developed countrie

But the change in rhetoric has disturbed not only Third World countries but also some of the Bank's more liberal industrialised members, who suspect that it represents a real policy shift.

Mr Clausen himself fears that by simply redressing the unrealistically liberal perception of what the Bank was doing, "We may have created a misperception that we want to move the Bank away from some of the things it has been doing — on poverty for example."

The example of poverty is well chosen, because the Bank's attitude to poverty was at the heart of the changes wrought by McNamara between 1968 and 1980. The belief that the Bank has been a tool for redistribution of wealth, rather than the creation of new wealth is also the essence of the U.S. Right-wing's attack.

McNamara's Bank was based on "the understanding that if the absolute poor had to wait for the benefits of overall economic growth to trickle down to them, their incomes would inch forward at an intolerably slow pace." This was the key to McNamara's development policy.

In accordance with this vision, McNamara's Bank began to appraise projects in terms of their impact on income distribution as well as growth

Between 1960 and 1980, the IBRD's lending for transport, industry and energy fell from 87 per cent to 46 per cent, while agriculture and rural development grew from 7 per cent to 22 per cent.

Now that McNamara is gone and the U.S. Treasury is arguing that "there is little evidence that redistribution policies *per se* effectively promote economic growth . . . the most meaningful way for development banks to assist the poor is by using their leverage on borrowers to ensure sound economic policies," there are misgivings about the future of the Bank's anti-poverty campaigns.

Mr Clausen insists, however, that "the Bank's commitment to poverty, education and population control must and will continue."

The Bank's announced sectoral priorities—agriculture, rural development, food production and energy — and the geographical concentration on sub-Saharan Africa, which is now by far the world's poorest region, all suggest continuity with the policies of the McNamara Bank.

When issues have come up for final decisions, Mr Clausen has "come down firmly on the side of existing policy," according to a senior official of the Bank. The most significant and indicative such decision was to support the Bank's poverty task force and direct that income distribution would continue to be considered as a criterion for all project lending by the Bank.

It is on "conditionality" and private sector financing, the Reagan Administration's remaining criticisms, that bigger changes may come. Mr Clausen has little time for the crude private-versus-public sector distinction as regards the projects which the Bank supports.

"We are a non-political institution and we are happy to lend to socialist countries and public enterprises. We consider only whether the projects will enhance the welfare of people themselves. Ordinary commercial banks lend to governments but most of our lending goes directly to pay the bills for goods which people will use."

On the other hand, he is genuinely enthusiastic about using his banking experience to attract private sector lenders into partnerships with the Bank. Mr Clausen was involved in the first-ever co-financing between the World Bank and a private bank when he was president of the Bank of America and he ridicules the idea that co-financing is a sinister creation of Reaganomics. "I call it Clausenomics," he says. "I cannot help it if President Reagan agrees with me."

For the past two years, in response to the oil crisis, the Bank has been making "structural adjustment" loans, aimed at assisting the reform of a whole national economy. Unlike the International Monetary Fund's revolving credits, these are long-term loans, for 15 years and more. They are explicitly tied to far-reaching economic policy reforms, which may include the abolition of subsidies, increases in agricultural prices, alteration of tariffs and even wholesale restructuring of public sector institutions.

This aspect of policy, which commands considerable support from many Bank officials who have seen potentially successful projects thwarted by perverse pricing policies or subsidies, is probably the real cause of the Third World's suspicion of Mr Clausen.

Indeed the Bank is increasingly being subjected to the kind of abuse about "economic imperialism" that used to be mainly reserved for the International Monetary Fund. Mr Clausen stresses that the Bank sees structural problems and conditionality in a very long-term perspective.

"We would never hold a gun to anybody's head" to make them accept conditions, he says. "I know that the political ice in some of these countries can be too thin for the right economic policies to be put into gear."

Even this aspect of "Clausenomics" is by no means revolutionary. Mr Yesufu Abdulai, the executive director representing 20 African countries including Nigeria, Kenya and Tanzania, points out that "the Bank has always said it wants conditions on lending. Very often governments are willing to change too, but the setting is just not right for change." He is not opposed to conditionality, but objects strongly to the idea put forward by the U.S. that the Bank, with its longer time horizon and its different objectives, should seek to impose the same conditions on lending as the IMF, which tends to make loans specifically designed to deal with short-term balance of payments problems.

It will doubtless be several years before a consensus on conditionality can be established even within the bank's staff and between the bank and the IMF.

For this is an issue on which not only Mr Clausen, but even many of the Bank's most liberal officials would agree with Mr Beryl Sprinkel, the U.S. treasury Under Secretary responsible for policy towards the Bank: "We want to help the poor countries of the world, but we're not just going to redistribute our wealth to them with zero results."

The World Bank group has two major arms:—

The International Bank for Reconstruction and Development (IBRD), founded in 1945, is owned by the governments of 139 countries. These subscribe capital, at present being increased from $40bn to $80bn, mainly in the form of callable government guarantees. The capital is used as collateral for borrowing on international bond markets. In 1981 IBRD borrowed $5.1bn. It onlends this money to developing countries, always at a profit. The International Development Association (IDA) makes interest-free loans to the poorest developing countries. In 1981 it lent $1.9bn. Its funds come directly from 35 member governments and are replenished from time to time. In 1980 a replenishment of $12bn was agreed, but it has been held up by the U.S.

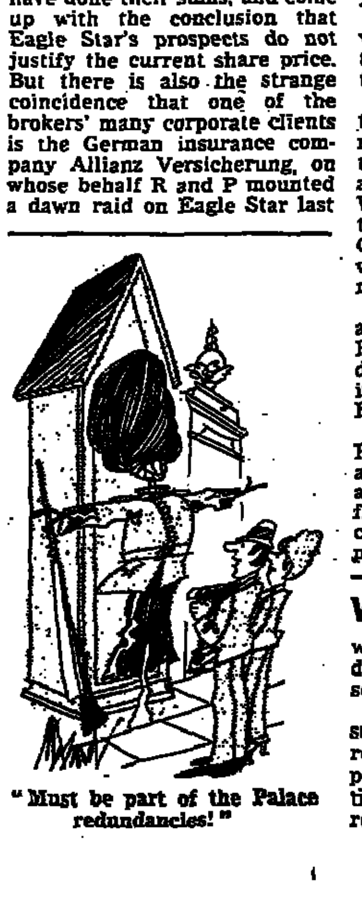
Men & Matters

Fallen Eagle?

SELL. That faintly obscure word hardly ever appears in the flood of literature from brokers Rowe and Pitman's research department—let alone in capitals and bold type.

Normally renowned for the length and quality of their corporate client list, and their ability to place vast lines of stock around the City's investment institutions, Rowe and Pitman rarely descend to knocking copy. So what has Eagle Star—the subject of the sell recommendation—done to be picked on in this way?

Clearly R and P's analysts have done their sums, and come up with the conclusion that Eagle Star's prospects do not justify the current share price. But there is also the strange coincidence that one of the brokers' many corporate clients is the German insurance company Allianz Versicherung, on whose behalf R and P mounted a dawn raid on Eagle Star last June. It now has a 28 per cent stake. Next June, under the City's takeover rules, Allianz will be free to make a full takeover bid for the British insurance major after the lapsing of a year. What will R and P's advice to Allianz be then? Sell?



"Must be part of the Palace redundancies!"

Gas mantle

Mention Tunbridge Wells, and predictable images of stockbrokers, gins and Jaguars spring to mind. Little reason to suspect that tucked away in its prim streets is a Far Eastern gas company with 503 miles of main, 210,110 meters, and profits last year topping £4m.

But there it is — and catch it while you can, for this light in the Garden of England is soon to be extinguished.

I cheat a little, I confess, for the meters and mains are 7,000 miles or more away. But nonetheless up on the second floor at 90 Calverley Road, Tunbridge Wells, is the registered office of the Hong Kong and China Gas Company, dating from the days when the Empire was rather more closely-knit.

Now that all its business activities are firmly esconced in Hong Kong, the company has decided that the logic of hanging its brass plaque on a wall in Kent is no longer overwhelming.

Accordingly, says chairman Richard Lee in this year's annual report: "Your next annual report will emanate from a Hong Kong registered company." Leaving, I fear, the pantiles that little bit poorer.

Wheel and deal

what can the Social Democrats do next to embarrass the Conservatives?

A whisper from Westminster suggests that the middle-of-the-road party's move may be to present itself as the Confederation of British Industry's most reliable friend in the Commons by helping to push through the heavy lorries legislation.

Minister of Transport David Howell is bringing in a measure after Easter to raise the legal weight limit from 32 tonnes to 38 tonnes. It is a much-delayed compromise which he hopes will satisfy the Tory backbench rebels who threatened the original plan for a 40 tonne limit.

But the Government is still not certain of over-riding the opposition — nor is CBI director-general Sir Terence Beckett who says "we have talked ourselves hoarse" trying to convince MPs to put the interest of industry before environmental concern.

Some SDP members see a chance here to use their votes to guarantee the legislation's passage and, at the same time, embarrass the Government and win friends and influence people in industry.

If companies like ICI could save £16m a year by using heavier lorries, runs the argument, there might even be more tangible rewards to the party as well.

Family seat

Compared with the spring chickens appointed to the top positions at one or two other accountancy firms so far this year, Alan McLintock arrives as a positively venerable addition to the senior partners' fold. At 56 he is to take the head position at accountants Thomson McLintock, succeeding James Mcnair.

McLintock is the grandson of the firm's founder whose "good old Scottish Christian name" gives just that slight suggestion of a bygone merger.

Not so, though, and the new senior partner restores a family ascendancy which began in Glasgow in 1877 and was unbroken until 1947. The latest McLintock is the youngest son of a youngest son, and this — together with his great age, of course—explains why only two generations separate him from the august Victorian founder.

No FT . . .

Having allowed a reasonably free circulation of the FT for the last three years Iran's fundamentalists have decided that enough is enough. They are stopping the public sales of the paper.

Subscription copies can still get through but are heavily censored. Embarrassed at the prospect of tampering with mail intended for diplomats the postal service appears simply to be losing those FTs which carry a figurative CD plate.

Regrettably one of the first institutions to suffer from this ban on live imports of news into Iran has been the country's central bank. Senior bank officials are said to be waiting eagerly for the first arrivals of the FT through safer channels (unspecified) in order to see articles concerning financial affairs—especially their own.

. . . no comment

How the mighty can tremble. Confronted with reports that Saudi Arabia will blacklist companies which cut their oil liftings from Nigeria, some of the biggest multinationals were taking extraordinary precautions not to say anything to inflame the situation. "Off the record I can say no comment," said Texaco. "No one has jumped out of the window—yet. But that's off the record," said another. But Mobil was more forthcoming: "I have compassion for those of you who have to write the news stories. You can put that on the record—although I am not sure why you would want to."

Observer

BRITISH GAS SERVICE

A 40-cigarette-a-day job . . .

By Ray Dafter, Energy Editor

TWO LONDON nurses could barely conceal their mirth when Mr David Calderwood, a British Gas fitter, called at their flat to fix the central heating system. For there, in the kitchen, two other fitters were already at work—installing a gas cooker.

To add to the nurses' amusement—and the embarrassment of British Gas—Mr Calderwood was accompanied by myself and a North Thames public relations man eager to demonstrate servicing efficiency. In spite of its newly-computerised customer service system North Thames had managed to duplicate the servicing call.

The nurses were not complaining. Although surprised by the extent of manpower involved they were pleased that the calls had been made on time. What is more the men managed to get the cooker and the central heating working straight away.

The Government may be taking controversial steps to reform the state-owned British Gas Corporation—by enforcing asset sales, breaking monopoly powers and instituting board-room changes. But one of the most controversial areas of Gas Corporation activities, the servicing operations, is untouched.

22 per cent will require at least two visits

And Britain is still rife with "the gasman cometh again" stories.

"There are too many consumer complaints that turn into 'sagas' and we would like to see adequate procedures introduced to prevent badly handled cases from getting worse," concludes a new report from the National Gas Consumers' Council, now circulating within the Government and the gas industry, although it adds that "on the whole, British Gas can be seen to be a highly efficient, well organised industry."

Each year the Gas Corporation receives about 7m calls to deal with faulty appliances. On recent experience 22 per cent of these jobs—more than 1.5m cases—will require at least two visits from a fitter, usually because a spare part is not immediately available. At least 61,500 customers can expect three or more visits.

There appear to be fewer problems with the 8m other service calls the corporation deals with each year: requests for regular servicing, appliance installations, and reported gas escapes. Over 90 per cent of these are dealt with on the first visit.

These are British Gas statistics. Surveys conducted for the National Gas Consumers Council by Research Surveys of Great Britain paint a blacker picture. Of some 2,000 people questioned about service calls within the past year, only 64 per cent reported that their jobs had been completed in one visit. Sixteen per cent said that fitters had called twice and 10 per cent counted three, four and even more visits. (Some of those sampled were still waiting for jobs to be finished.)

The same survey indicated that 12 per cent of those sampled were not satisfied with the work done. On the face of it that is 1.8m dissatisfied people out of around 15m domestic customers.

"People from the good addresses are the worst. They want someone there yesterday," says Mrs Rose Houghton, one of the North Thames service clerks who deals patiently with service requests and complaints. "Monied people won't listen. I let them get it out of their system and do the best I can." Her colleague, Mrs Margaret Allen added: "This is a 40-cigarette-a-day job. At times it can be quite soul destroying—you can't win."

Mr Robin Hill, the Gas Corporation's service director, does not keep a tally of complaints. "That surprises you doesn't it," he said, adding that it would be wrong from a morale standpoint to base performance on complaints. "Anyway there are plenty of other people who seem to be interested in complaints."

A blunt Glaswegian, with necessarily broad shoulders, Mr Hill prefers to point to the Corporation's barometer of performance—its Gold Flame awards based on random samples of gas customers. The latest tally indicates that customer satisfaction has risen by about 30 per cent since 1973.

And yet mornings spent with

Trevor Humphries

House call: social service or commercial service?

service clerks and fitters revealed that British Gas could do a lot more to reduce the tension between its customers and service departments and to forestall the numerous sagas which receive so much attention in newspapers and broadcast consumer affairs programmes.

● Among the problems: The telephone answering system of the one at a North Thames service centre in Westminster is typical. It can take quite a time to get through to a service clerk. Customers can then be left holding on in limbo for several minutes while the clerk checks records, service rosters and so forth. A way should be found for letting the customer know what is going on.

● Many of the calls are, in any case, unrelated to a first request for service. In one recent week only one call in four to the Westminster centre concerned initial requests for repairs. The other calls were concerned with complaints, arrangements for further visits or matters totally unrelated to servicing. This says much about standards of service and the public's confusion about the responsibilities of various departments. It remains a bizarre fact that the Gas Corporation's showrooms have ex-directory telephone numbers.

● The appointments system is too inflexible for many customers and for the National Gas Consumers' Council. In the North Thames area customers are offered only morning or afternoon appointments. Mr Hill maintains that following agreements with trade unions British Gas is able to offer evening appointments provided customers pay an overtime surcharge. But this service is not promoted. And when an office colleague recently asked North Thames for an evening call she was told such a service was not available.

● Spare parts are another major bone of contention. Customers may have to wait days, perhaps weeks, for spare parts to be fitted. The Council feels that customers should be told at the outset how long they will have to wait.

Even when the parts are delivered gas users will find themselves paying a hefty surcharge on the manufacturer's wholesale price. On items costing more than £25, British Gas adds a third to cover its costs. As the items become cheaper, so the "mark-up" percentage increases.

Given that the corporation is not making money on its servicing and spare parts operations there would appear to be some scope for improved efficiency.

In some ways British Gas makes life difficult for itself. It prides itself on meeting the demand for 400,000 different parts on 8,500 different models of various domestic gas appliances. It is a moot point whether the Corporation should be expected to carry parts for all of these units, particularly older models.

But this points to the fundamental problem with British Gas. It is not quite sure whether it is there to provide a public service or to act on strict commercial lines. The emphasis changes with each new Government. "We are walking along the top of a very narrow wall between commercial and social service considerations," says Mr Hill.

Irrespective of the Government's now doubtful plans to sell off its 900 retail showrooms British Gas finds itself facing increasing competition. The corporation reckons that over half the service and installation jobs are done by competitors

Officers of the National Gas Consumers' Council recently visited Comet Radiovision, one of British Gas Corporation's most aggressive competitors which sells and services a high volume of gas appliances. The council has submitted a glowing report. "Comet expect a satisfactory repair to be done on the first call 90 per cent of the time," the report states. "Comet have a different attitude to service from British Gas. For example they state that a very high proportion of clock failures are due to the motor module. Their engineers are trained to change a motor on site without removing the clock, the resultant cost being a fraction of that of a new timer."

Mr Hill does not take it kindly when the corporation's servicing standards are compared with those of private retail chains. Companies like Comet deal in a limited range of popular appliances, he says. "We respond to a total demand of 10m spare parts a year."

It is hard to measure the efficiency of the corporation's servicing operations. British Gas does operate a separate trading account for the installation of new appliances and regular service contracts. In 1980-81 the corporation made a current cost operating loss of £18.8m on this account. Mr Hill said that as a result of a "major concentration on cost cutting" that account should be in the black within three years. But its on-demand servicing, meter fixing and repairs, safety-related work and emergency facilities are lumped into the dominating oil and gas operating account. This showed a current cost operating profit of £463m in the 1980-81 financial year although the servicing made no contribution to this surplus.

Amid all its privatisation campaigns Ministers have thus far resisted the temptation to reorganise or possibly hive off the servicing side of British Gas. Given the inevitable problems associated with so many customers, so many appliances and so many spare parts, it is doubtful whether any single commercial undertaking would be willing to take over the entire operation as it now stands.

Corporation will need to adopt new attitudes

So the man from the Gas Board will continue to call. Whether or not he calls at a convenient time, at the appointed hour and with the appropriate spare part will depend very much on new communication techniques, modern stock control systems and more flexible working conditions.

If all this is to be achieved the corporation will need to demonstrate and adopt new attitudes to reinforce its technical competence. For the servicing activities tend to epitomise the apparent belief of British Gas, and its top echelon in particular: that God sent down people to be customers of the Corporation.

Lombard

No quick profit in biotechnology

By David Fishlock

I ASKE Da knowledgeable man-about-Whitehall the other day how he would set about making money from biotechnology. Biotechnology is the factory-farming of microbes, given a filip by discoveries—which promise that microbes can be tailored to a man's needs by "genetic engineering."

His advice was brief and to the point. Put your money into index-linked National Savings Certificates until about 1986. Then help refinance one or two of the many biotechnology research companies—they now number at least 150—which will be going bust about then.

Biotechnology, like microelectronics, has taken the industrialised world by storm. Both are developments founded on exciting scientific advances, with the potential for permeating vast tracts of industry. Both have attracted the well-educated entrepreneur and spawned a rash of small science-based companies largely peopled by PhDs.

The entrepreneurs have talked excitely for several years now of bringing the first fruits of genetic engineering to the marketplace "within a year or two." Certainly their scientists have made astonishingly rapid progress. But growing research teams are expensive to feed and the entrepreneurs must keep asking the market for money until the promise of new products is fulfilled.

Some of the big, established companies have first-hand experience of the problems the entrepreneurs are facing in what promise to be the "hungry 80s." British Petroleum embarked on growing yeast on oil as an animal feedstuff back in the 1950s and had eaten well into eight figures before it abandoned the venture in the late-1970s. Estimates of how much ICI has spent growing bacterial protein vary from £50m to £100m.

Ranks Hovis McDougall set out in 1964 to factory-farm an edible fungus, rich in protein, as a new human food. It reckons it has spent £30m at present-day prices — and still has not got its protein on to the market.

These companies recognise that what biotechnology needs is a "cash flywheel" that will sustain the momentum through the lean years of developing and proving a product and a novel manufacturing route. The scientific excitements which have hogged the headlines are only the first steps on a long road through the hungry 80s for biotechnology.

ICI believed that bacterial protein for animal feeds would be just such a cash flywheel. Rising energy prices and a more stable soya market have hobbled these hopes.

But surely other profitable products are about to pour forth from the fermenters? Interferon, for instance. If it works as a drug — and that is still far from certain — rewards cannot come quickly because of the stringent requirements for testing the safety of any new medicine. For this reason we should discount all genetically engineered drugs as cash flywheels for the 1980s.

New foods have similar safety problems. Besides, the food industry — unlike pharmaceuticals, which sees biotechnology as the solution to some real disease problems — has no great enthusiasm for genetic engineering. Its impact on food is more likely to be behind the scenes, in shortening the chain between harvest and table.

For new feedstocks and fuels, biotechnology suffers a further handicap. The ratio of liquid carrier to chemical product is very high. This has the effect of requiring a very large size and cost of plant per unit of output — at a time when the chemical industry is taking advantage of advances in electronic controls to reduce the size and cost of plant. To this extent, genetic engineering represents a step backwards for the chemical industry.

One is forced to the conclusion that the fruits of genetic engineering likely to be earning profits in the 1980s are relatively unsung products, such as the medical kits for quick diagnosis of diseases. Such kits present few toxicity problems. Here, the key questions are whether the idea for a kit works, and whether it is accepted by the two big markets for medicine—the U.S. and Japan.

Letters to the Editor

Rounding-down interest payments on indexed stock

From Mr K. Ayers

Sir,—Mr P. T. Jenkins March 24 is correct. The rounding down of interest payments to two decimal places per £100 nominal stock on index-linked issues means that the investor is not fully compensated for the rate of inflation experienced, even if the eight month time lag used for the calculation is ignored. This has been something that the Society of Pension Consultants and I, and probably a number of other people have taken up with the Bank of England, and we welcome the use of four decimal places instead of two (while still rounding down) in the recent 1988 issue.

The difference that this makes to the yield, however, is very much smaller than Mr Jenkins implies, since he appears to make the mistake of relating the ½ per cent of difference to the nominal amount of the stock rather than to the amount of the coupon itself. Thus, a ½ per cent difference would reduce the yield from 2.5 per cent, say, to 2.4875 and not to 2 per cent. Furthermore, the average discrepancy resulting from rounding down is of the same absolute order regardless of the level of the interest payment in money terms, so that a short fall of ½ per cent in the yield at the base date becomes a shortfall of ¼ per cent when the coupon has risen to 5 per cent as a result of the RPI having doubled from its base level.

Looked at another way if the average error due to rounding down on every payment on the 2½ per cent index-linked 2011 stock is discounted at around current rates of interest, the present value is of the order of 10p per £100 stock, that is between 1/10 and an ⅛ in the price.

While accepting the injustice of this, which was the point of my earlier protest to the Bank, I do not believe that it significantly changes the considerable attraction of these stocks at their current levels of real yield.

Ken Ayers.
Laurie, Milbank and Co.
Portland House,
72/73 Basinghall Street, EC2

From Mr C. Allen

Sir,—Mr Jenkins' letter (March 24), alleging that the "real yield" on indexed linked stocks are not quite what they seem, contains errors of fact and interpretation that have seriously misled him. The point is hardly academic, since if he is right and the gilt edged market is over-estimating the real yield on current issues by ½ per cent, "a substantial part of the whole," it is over-valuing them by anything up to £9 per £100 nominal.

Mr Jenkins correctly points out that under the prospectus rules for determining interest payments each payment will be slightly less under a 2 decimal place rounding rule than it "might" be if four or five decimal places were used. The discount, however, on the "true" value will not average ½ per cent per annum over the life of the stocks in question, as he supposes. Index ratio rounding errors are not compounded over time, all future interest and redemption payments are referred directly back to the base retail price index. Thus, in the case of the 2006 stock a further, say, 10 years inflation at 10 per cent per annum will lead to an index ratio of around 2.94; even if this is rounded down to 2.93 the maximum possible discount to the "true" figure is only 0.34 per cent, and this must decline further over time.

Much more significantly though, even if the discount were to average ½ per cent this is not "for practical purposes equivalent to taking ½ per cent off the 2 per cent coupon." Each interest payment may well be too low by a factor of ½ per cent, but this is ½ per cent of 1, i.e. 0.005, not ½ per cent of 100; i.e. 0.5. Mr Jenkins' mistake is analagous to that of saying of a 7 per cent and a 14 per cent stock both standing at par (yielding 7 per cent and 14 per cent respectively) that because the coupon on the first is 50 per cent less than, i.e. half of, the other it must yield 50 per cent less i.e. minus 36 per cent per annum.

C. W. Allen.
Simon and Coates,
1 London Wall Buildings, EC2.

The receivership system

From the Managing Director, Farnfield Marketing Consultants

Sir, — Many of your readers will sympathise with "the feelings of sadness and injustice at the receivership system" as expressed by Mr Leslie Pincott, chairman of Stone-Platt Industries (in receivership) in his letter of March 23. By a quirk of typesetting his first sentence in column four: "There must be a better way," is alongside the same heading in large letters in a major feature article by Peter Riddell, as if to highlight that sentiment with which I entirely agree.

There is, I suspect, considerable misunderstanding and ignorance in business circles generally about the circumstances and procedures leading to receivership in insolvency and the duties, responsibilities and options available to the receiver once appointed.

A receiver is invariably appointed by the debenture holder, usually the company's banker, often without the intermediate stage of appointing an investigating accountant, who can sometimes provide an acceptable alternative solution to receivership. This is the first check. After appointment, however, the receiver, whose primary task is to obtain the best result for the debenture holder, may well be able to sell all or part of the business as a going concern and certainly should be allowed reasonable time to trade to enable this aspect to be explored. This is check 2. Even if closure is the only ultimate course, the receiver has the right to decide whether to close the business immediately or manage a phased run-down during which, at such an "11th hour," a buyer may appear to salvage the business. This is check 3.

There are other considerations as Mr Pincott suggests. The rights of shareholders, employees and suppliers — in that order. There is the question of our insolvency laws being out of line with those of the EEC, particularly in respect of floating charges which have been abolished except in the UK. If preferential debts and floating charges were abolished in this country, a greater proportion of the assets in a winding-up would become available to the general body of creditors. Thereby "retention of title" contracts would be removed.

There must, indeed, be a better way.

K. M. Taylor.
Penn Stowe House,
Manor Road, Penn, Bucks.

English hop outlook favourable

From the Chairman
Hops Marketing Board

Sir,—Your article on the English hop industry (March 23) correctly stated that the Hops Marketing Board is losing its statutory powers.

The new co-operative which takes its place on April 1 will start with the support of a poll of producers which voted by 354 to 1 for the transfer of the Board's assets to the new co-operative. With forward sales for 1982 and 1983 which compare favourably with other hop producing areas, the English grower is well placed to survive the present recession in the international hop market.

The export of English hops in the last three years has been a story of success, earning one firm of hop merchants the Queen's Award for Export and making England a net exporter of hops.

Brewers have every reason to believe that the long term future of the English hop industry is secure.

Seborne
Hop Pocket Lane,
Paddock Wood,
Tonbridge, Kent

Opec and the Saudis

From Mr A. Yasamee.

Sir,—I read your admirably balanced leader "Opec (the Organisation of Petroleum Exporting Countries) moves to curb output" (March 24) with benefit. Those who have been busy getting their obituary notices ready for the expected demise of the Opec any day seem more concerned with atmospherics than substance. The Saudis, as you observe, believe that "an approximate balance may be reached by the end of the year." To pronounce therefore the end of the Opec is no more than wishful thinking, however balmy the exercise. The Saudi prediction gains in credence when, as a forceful reminder, you say that they "have proved rather more accurate than most in predicting market trends."

As to stability in the Middle East, Saudi money is of course "regularly used to postpone or alleviate crises in the Arab world." It does render both these sterling services; without it the stability of this vital and sensitive area would be jeopardised. This might well be seen as vicarious work the Kingdom does for world peace. One does not need to gaze into the crystal ball to realise that demand on the Saudi purse is most likely to increase, not diminish, in the foreseeable future. The question of Saudi surplus revenues therefore turns on whether the Kingdom will possess financial power relevant to its role in the Middle East.

Regarding the present soft oil market, past experience, if that is anything to go by, cautions realism: for "the glut market could easily turn into the shortage of 1984," as you so significantly put. Who then will be victors and losers?

Abdullah Yasamee.
49 Queens Road, SW19

Home Video sees £0.35m for year

Producing the tape of an Adam and the Ants concert has helped **Home Video Holdings** to sharply increase its profit forecast for the year ending June 1982.

Only one year old, the unquoted company now predicts that pre-tax profits will reach at least £350,000 for the year, as opposed to a forecast made last September of £200,000.

Mr Peter Abbey, managing director of Home Video which is primarily engaged in the distribution of video cassettes, said yesterday that the company has expanded into the production of video-tape cassettes and has already completed four, including an Englebert Humperdink spectacular and a Teddy Prendergast special. These productions, which will include more Adam and the Ants concerts, should contribute 25 per cent of the group's revised profits forecast.

Last September's profit forecast coincided with the placing of 220,000 ordinary £1 shares at 115p by Hill Woolgar, the licensed dealer.

The shares swiftly rose in value, reaching 300p in February. Hill Woolgar stopped dealing in the shares in February pending a revision of the profit forecast. Dealings will resume on Thursday.

Freemans 23% ahead at £13m

TAXABLE profits of the mail order business Freemans rose by 23 per cent to £13.08m for the year to January 30 1982 but failed to reach the record of £16.7m achieved three years ago. Mr Anthony Rampton, chairman, says this underlines the difficult trading conditions brought on by the recession.

In particular, he adds, the problems people face in meeting commitments were brought into focus last year by a sharp rise in bad debt.

The final net dividend per 25p share is being raised from 2p to 2.25p making a total of 4.15p against 3.7p. Stated earnings per share rose from 11.2p to 12.1p.

Turnover including VAT rose from £260.13m to £291.36m. Mr Rampton says the trends shown in the first 28 weeks continued through the second half with larger increases coming from the clothing and footwear pages of the catalogue.

He argues that there seems little chance of any significant improvement in the level of retail sales generally this year. Nonetheless, he adds, the expanding base of agents should make possible a further satisfactory increase in sales.

Although the year started with rather poor sales figures, the demand has improved in recent weeks and he hopes this pattern will be maintained.

He says agent recruitment was a strong feature of the year under review, the number of active agents increasing by some 13 per cent over the previous year to 600,000.

The popularity of the choice of merchandise displayed in the two 1981 catalogues was the major reason for the number of applications to open agencies with the company.

The completion of the company's nationwide telephone network system may also have been a contributing factor — it accounted for more than 40 per cent of all orders by the end of the year.

Pre-tax profits, which compare with £10.64m for 1980-81, were struck after interest of £2.06m (same). Tax took £4.62m (£2.83m) leaving profit after tax of £8.47m (£7.82m).

CCA adjustments reduce the taxable surplus to £11.2m (£4.3m) and earnings per share to 9.4p (2.1p).

See Lex

Glynwed expands to £19.23m

WITH AN advance in second half taxable profits from £7.04m to £12.95m Glynwed finished the 52 weeks to December 26 1981 ahead at £19.23m, compared with £16.13m. Turnover for the year rose by £11.89m to £368.06m.

The net final dividend of this group, with interests in the manufacture of engineering and building products, and in steel stockholding and distribution, is being maintained at 4.9p per 25p share, making a same again total of 7.35p. This absorbs 4.8m (same).

Earnings per share are given higher at 18.53p (16.21p) on a net basis, and at 26.62p (19.91p) on a nil distribution basis.

The pre-tax surplus included a share of associated profits of £157,000 (£134,000) and was struck after interest charges of £5.7m (£6.07m). Tax took £5.72m (£4.26m) and minority interests £1.34m (£1.22m). Last year there were also extraordinary debits of £2.25m.

Current cost adjustments reduced the taxable profits to £14.09m (£10.5m).

See Lex

Horizon Travel surges 80% to £13m

SHARPLY HIGHER profits are reported by Horizon Travel for the year to November 30, 1981, the pre-tax figure emerging 80 per cent ahead at a record £13.33m, compared with £7.38m previously. Second half profits improved from last time's £6.84m to £12.68m.

With full year stated earnings per 25p share coming through at 31.9p (18.09p adjusted) a final dividend of 4.85p (2.842p) on the enlarged capital raises the net total to 6p, which compares with 3.675p after allowing for the two-for-one scrip, and a forecast minimum of 5p. A further scrip on a one-for-one basis is also proposed.

Turnover of the group, which apart from providing inclusive air holidays trades as a travel agent and hotelier, rose by some 33 per cent for 1980/81 to £96.83m (£72.58m).

Tax for the year took £7.06m (£4.08m) and after minorities of £7,830 (nil) the balance at the attributable level was £6.26m (£3.31m).

CCA adjustments reduce the pre-tax profit to £13.09m and on the same basis earnings per share were 30.6p.

● **comment**

A holiday price inflation of only 4 per cent and being the only major tour operator not to impose a surcharge, goes a long way to explaining the progress of Horizon Travel in 1981. Load factors at a high of 94 per cent compare with a breakeven percentage around the low 70s. So far in the current year the group has been able to guarantee "no surcharges" on holidays up to the end of June, but exchange gains, which last time offset the £1m rise in fuel and airport fee costs, are no longer favourable. Bookings are forecast to increase 15 per cent with the collapse of Laker adding about 30,000 equal to an extra £500,000 profit. However, load factors are not likely to be so good pointing to a slower pro-rata profits expansion. Yesterday shares rose 3p to 395p in response to profits in line with expectations and a higher than forecast minimum dividend, for a fully taxed p/e of 12.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div.	Total for year	Total last year
Appleyard Group	nil	—	nil	0.1	nil
Bridport-Gundry ... int.	0.99	May 21	nil	—	1.42
Charterhouse Group	3	May 29	2.76	4.93	4.51
Edinburgh Secs.	0.15‡	May 11	0.15	0.15	0.15
Freemans	2.25	June 7	2	4.15	3.7
Glynwed	4.9	July 8	4.9	7.35	7.35
Habitat ... int.	1.2§	—	—	—	—
James Halstead ... int.	1.26	June 4	0.8	—	2.65
Horizon Travel	4.85†	—	2.84	6†	3.68*
Low and Bonar	2	—	9.5	7	14.5
Pifco Hldgs. ... int.	1.76	—	1.76	—	5.28
Standard Industrial int.	nil	—	0.9	—	0.9
Yorkshire Chemicals	0.5	May 21	nil	0.5	nil

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM Stock. § Shares in issue as a result of Mothercare merger included.

Bridport-Gundry shows evidence of recovery

THE MOVEMENT from a significant loss to small profit in the first half at Bridport-Gundry (Holdings) is evidence of a recovery which the directors expect to continue in the second half.

For the first six months to January 31 1982 this netting and cordage manufacturer, made pre-tax profits of £36,000, against previous losses of £336,000.

An interim dividend has been declared at 0.99p, which compares with a nil payment last time. The total payment last year was 1.42p.

Although the recession continues the directors say that the group is showing steady recovery following management changes made last year. They point out that the group traditionally does better in the second half than in the first.

At the halfway stage in January the chairman predicted a "major recovery" compared with the previous half year.

Sales rose from £6.24m to £7.47m. After adjusting the Brownell turnover for exchange rate changes this 20 per cent increase becomes 12 per cent for the group as a whole, say the directors.

Following distribution problems, the company has re-sold its 50 per cent holding in the Marinovich Trawl Company to the vendors at cost. There is still a close association with Marinovich, and director Mr J. Grundy remains a member of that board.

The company has acquired 51 per cent of the Brixham Net Company, which was recently formed to take over the trawl-making and chandlery business of Brixham Fisheries.

Habitat ahead at £3.6m

DURING THE 28 weeks to January 10 1982 prior to the merger with Mothercare, pre-tax profits of **Habitat** rose by £1.2m to £3.6m while trading profit increased from £2.96m to £3.93m.

Stated earnings per share improved by 1.5p to 5.6p and interim dividend of 1.2p has been declared.

The directors note that the first results of Mothercare to be consolidated with those of Habitat will cover the period between the date of merger—January 14 1982—and the end of June this year.

They add that trading is bound to be tough for some time, but that there have been encouraging signs over recent weeks in the sales figures of Mothercare UK.

A number of new sites for Haritat in the UK and France and a seventh store for Conran's in the U.S. are at an advanced stage, while further expansion by Mothercare UK is being explored.

They feel that, once the company has determined the right trading formula and organisation, considerable physical growth potential is also possible for Mothercare in the U.S. and Europe.

The performance of Habitat France has been particularly good, while Conrans in the U.S. has continued to improve steadily.

Four new Habitat stores were opened during the later months of 1981—in Aberdeen, Sheffield, Toulouse and a second store in Lyon. This brings the total number of Habitat stores to 56.

The directors point out that since the half year, the French economy has remained relatively favourable in retailing, but the UK and U.S. recessions continue unabated.

Taxable profits were struck after net interest charges of £192,000 (£546,000) and a provision for the employee linked shareplan of £179,000 (£125,000).

Tax took £1.4m (£901,000) leaving after tax profits of £2.2m (£1.4m). Translation losses fell from £218,000 to £19,000.

See Lex

Barclays Bank's interest margins decline

BY WILLIAM HALL, BANKING CORRESPONDENT

INTEREST MARGINS of Barclays Bank fell last year to their lowest level for several years, although the group as a whole reported record profits of £565.6m.

The 1981 annual report published today shows that the group's interest margins, representing net interest income divided by average earning assets, fell from 5.1 per cent to 4.5 per cent.

Following its debut in the U.S. capital markets Barclays is, for the first time, providing considerably more information in its annual report and the level of disclosure is considerably greater than is the case with the other UK clearing banks.

The group's domestic interest margin fell from 7.8 per cent to 7.2 per cent and the international margin was down from 2.9 per cent to 2.7 per cent.

Its domestic net interest income rose by 8.2 per cent to £1.09bn and international net interest income was 37.2 per cent higher at £623m. The considerably higher profitability of the domestic operation is underlined by the fact that the domestic side produces 63.7 per cent of net interest income but only accounts for 40 per cent of the group's £48.75bn in assets.

The group's income from banking commissions rose by 27.9 per cent to £471.4m and its earnings from foreign exchange trading rose by 63.6 per cent to £91.3m.

Of the bank's total trading profit of £616.3m the domestic side produced 60.7 per cent or £373.8m. On the international operation the UK contribution was virtually unchanged at £28.7m but U.S. profits were more than doubled at £37.3m. South African profits were £5.6m higher at £70.8m and profits from the rest of the world were 45.4 per cent higher.

The group's domestic lending rose by 26.2 per cent to £13.3bn. On the international side lending by geographical areas was: U.S. £2.26bn (£1.66bn); South Africa £2.31bn (£1.47bn); rest of the world £5.61bn (£2.91bn).

In the domestic loan portfolio lending to manufacturing, construction, financial and service industries was still the largest segment accounting for £6.68bn (50 per cent of the total). However, lending to individuals advanced sharply, increasing by 64.7 per cent to £4.04bn last year. Agriculture, forestry and fishing was the next bigger sector at £903m (£720m), followed by loans guaranteed by ECGD, which fell last year from £710m to £630m.

The proportion of lending of over five years' maturity rose from 10 per cent to 13 per cent (£1.73bn) last year.

The report also gives considerably more detail about provisions and write-offs. The charge against profit for provisions as a percentage of average lendings fell from 0.76 per cent to 0.60 per cent and amounts written off as a percentage of average lendings also fell, from 0.41 per cent to 0.37 per cent.

In his first statement as chairman of the Barclays Bank group, Mr Timothy Bevan says that it "is probably misleading to make international comparisons of bank profitability over a relatively short period of time."

He adds that on the Continent profits are struck after making undisclosed transfers to inner reserves, meaning that profits are understated. In the U.S. banks provide for deferred tax but in the UK most of such tax is not provided.

In round figures Barclays' post-tax profits of £461m would decline to £310m if the sums were done in the same way as the U.S.

On the international front Mr Bevan says that banks must maintain their traditional habits of careful risk evaluation but should not become over-pessimistic about the periodic need for countries or corporations to reschedule their debts.

He also takes issue with those who say that British banks have been lending too much to the personal sector at the expense of industry. The level of bank lending to the personal sector does not seem particularly excessive. In 1981 some 14 per cent of sterling advances in the UK were to consumers, which compares with 11 per cent in Japan and 19 per cent in the U.S.

Other points to emerge from the report are: the chairman's salary rose from £87,323 to £106,000; the group gave £1.49m to charity; no payments were made to political parties.

The annual general meeting will be held at 54 Lombard Street, on April 28 at 2.30 pm.

HIGHLIGHTS

Lex looks at the results from two retail companies reporting yesterday. Freemans has maintained its first-half momentum through the closing six months to leave profits 23 per cent higher at £13.1m. At Habitat the figures look a bit academic since they do not include Mothercare but they are reassuringly close to expectations and the share price is now well above last year's underwriting price. The column then looks at the results from Glynwed which has produced its best-ever profits despite the very difficult sectors in which it is working. Before further strides through the corporate tax forest Lex goes on to review Heron's decision to let its bid for ACC lapse.

Io Technology raises £0.5m for prototype

Io Technology has raised £0.5m from a share placing by stockbrokers Henry Cooke, Lumsden prior to gaining a quote on the unlisted securities market.

Io Technology, the brainchild of Mr David Atkin and Mr David Greetham, has been developed over the last year to manufacture a microprocessor for small businesses selling at under £100,000. The two men, one a mechanical engineer and the other an electronics engineer, developed the system from their own funds.

Last autumn a dealer launch unveiled their prototype which had undergone independent testing. The money being raised by the placing will enable Io Technology to go into full production.

The initial plan is to make 4,000 units. No profits forecasts are presented in the prospectus but certain illustrations are offered of possible profitability. If, in the year to March 1983, Io Technology sells 3,490 units its pre-tax profits after research and development costs would be £284,000. If sales were lifted by 35 per cent pre-tax profits could rise to £700,000. There are no dividend forecasts.

Following the share placing the founders will control just over half the equity. However they also own the convertible non-voting shares. If pre-tax profits amount to £650,000 in either of the years to March 1983 or 1984 they will be able to convert 55 out of every 100 convertible into ordinary. For every £20,000 profit above that a further share may be converted. Assuming a full conversion the founders could end up with 80 per cent of the equity.

COMFORT HOTELS

Comfort Hotels International has sold its Heathrow Ambassador Hotel in London for £1.33m to the Verani Group, and plans to enter into a management contract with the purchaser.

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"Quality of life. That's what Provincial is about."

IN MY PREVIOUS STATEMENTS to the Annual General Meeting of Members, I have provided a comprehensive report on the Society's recent performance. Whilst the Board's responsibility in this respect is a fundamental one, I believe we also have a duty to relate our financial achievements to our customer services and to indicate how the Society will respond to the opportunities and problems with which it is confronted. In order to provide a constructive appraisal of past performance I have extended the content of the Directors' Report in the Society's Financial Statement for 1981. You may conclude from an examination of this document and other statistical analyses that the Society has very considerable financial strength and is therefore able to plan for the future with confidence.

I now intend to concentrate my remarks on those external factors which affect our market place and their impact on the services which we provide.

The role of Building Societies within the economy

The influence of the Societies within the economy has been the subject of much debate in recent years. Whilst their role is already a diverse one embracing many of the services within the domestic financial sector the effect of competition has led us to consider how far further diversification is necessary.

OWNER OCCUPATION AND THE QUALITY OF LIFE

The purpose for which Building Societies exist has never been in doubt. Their activities relate to a fundamental belief in the principle of extending home ownership which each year enables an increasing number of families to enhance the quality of their living standards. The desirable social consequences are as much in evidence today as they ever have been, both in the scale of the actual and latent demand for funds from those who wish to buy their homes for the first time and in the responsible actions which purchasers take to protect their homes when their incomes are threatened. Our objectives of encouraging and sustaining an increasing demand for owner occupation remain intact. Funding it, however, is an increasingly complex task.

THE EFFECTS OF COMPETITION

The actions of the Banks have created something of a dilemma. Their belief that to gain a greater share of personal investment they must first increase their share of home mortgages has led to aggressive interest rate competition within the mortgage market. Accordingly, each competitive response which Building Societies now make in favour of the borrower must be balanced against the need to retain competitive investment interest rates and market share in the personal investment sector in order to fund the future mortgage demand.

Our Industry begins this latest phase in the struggle for market share with the enormous collective advantage of having built up a dominant position for itself. Its concern now is to take whatever steps are necessary to retain it.

Intervention from the Government in the personal investment sector through National Savings has created strong pressures on individual Societies to respond. Since the ability to raise and lend funds competitively is not equally shared by each Society this has further fuelled the degree of competition within the Industry.

Provincial's Customer Service Objectives

THE DEVELOPMENT OF NEW SERVICES

The rapid expansion of Building Society accounts in the 70's has been the result of some beneficial innovations. Competition has had the less desirable effect of encouraging Societies to seek a 'marketing edge' by introducing minor variations on basic products. The major innovations on the investment side have included the large scale development of Term Shares, the provision of a monthly income from interest and, more recently, the combination of high interest and immediate access for investors who prefer to keep their money permanently available.

On the mortgage side of our business the development of the low cost endowment mortgage and the provision for combining mortgage payments and all of the related insurance and assurance premiums into one monthly payment, recalculated annually, were perhaps the most significant.

The fact that Provincial has been instrumental in developing these new services has rightly earned the Society a reputation for innovation within its Industry and our members have had the benefit of new services well ahead of other organisations.

THE CURRENT REQUIREMENT FOR INVESTMENT SERVICES

The products to which I have already referred, namely, Term Shares, Monthly Income Shares and Special Shares were designed to meet the three major investment needs of growth, income and accessibility. These services naturally attract the majority of their support from middle-aged and elderly investors and our continuing success remains firmly dependent upon our ability to retain and reward their loyalty. In this respect our offers are regularly reviewed to ensure that they remain well to the fore.

We must not forget, however, the services which we provide for the younger end of our market. The schemes designed to attract the saver and in particular those which are linked to saving and eventual house purchase are also under review to ensure their continuing competitiveness.

There is one further major area where I believe new initiatives are required. I refer to the Ordinary Share account which, these days, is often promoted as 'a current account with interest'. A more automated form of cash management is necessary if we are to compete successfully for the younger customer.

THE EFFECTS OF PROLONGED PERIODS OF HIGH INTEREST RATES ON MORTGAGE DEMAND

The effects of the Government's monetary strategy and the resultant higher cost of borrowing, in coinciding with static or declining living standards have led to discernible trends affecting house purchase demand. More first-time purchasers are finding that their incomes in relation to house prices limit their horizons. The effect on new house builders is evidenced by the escalation in the inducements which they feel compelled to offer to attract sufficient purchasers.

The recent period of house price stability has helped but it is unlikely that prices will remain static for much longer. There is therefore an urgent need for a fresh approach to the effects which fluctuations in interest rates, prices and incomes can have on aspiring house purchasers. We are aware of the economic realities of the market place which prevent these factors remaining out of phase in the longer term but we cannot ignore the difficulties which can and do occur in the shorter term. I believe we must do all that we can to solve the problems which first-time purchasers face, whether it is with help in finding the deposit, help in affording the price of better quality housing or help in meeting the front end costs of setting up house for the first time.

NEW INTEREST RATES

You will already know from announcements in the press that mortgage and investment rates will be reduced from April 1st.

Whilst we are always pleased to be able to implement reductions in outgoings for borrowers, we are equally conscious of our duty to our investors.

On this occasion we are reducing the lending rate by 1½% and investment rates by only 1%.

In addition we have announced improvements to our Monthly Income Accounts which in particular will help our retired customers.

Housing Policy and the Mortgage Services

My earlier remarks concerning the evidence of the benefits which our nation enjoys from the continuing expansion of home ownership reflects a view which is shared by all the major political parties. In this respect Provincial is already playing its part and will continue to seek new ways of making it possible for people to fulfill their housing needs.

I am always impressed by the progress which is made each year not just by the volume of our lending and the number of first-time purchasers whom we are able to help but also by the improvements and innovation in our facilities and schemes. I would therefore like to comment on several aspects which are relevant to the Society's policy at this time.

EXISTING BORROWERS

The Society is currently helping 166,000 families to buy their own homes and already this year we have taken the step of abolishing or substantially reducing the scale of differential interest rates which hitherto applied to the larger advances. This will assist the 'upward mobility' in the housing market which is essential to the stability of the structure of house prices at every level.

The relationship which we seek with our existing borrowers is a long term one and our lending service is designed to enable customers to remain with us through the normal series of house purchase transactions which occur during a lifetime. We therefore intend to see whether we can further simplify the legal and administrative processes involved in buying and selling houses.

The facilities and finance which we are able to provide for home improvements is extremely competitive by comparison with the interest rates imposed by Finance Companies. Our message to existing borrowers must be "Ask us first."

Our recent decision to provide house purchasers with a copy of the Society's Valuation Report, free of charge is being implemented. The clarity and comprehensive nature of the new form of Report will, I am sure, be well received.

SUPPORT FOR GOVERNMENT AND LOCAL AUTHORITY HOUSING POLICY

I am pleased to be able to report Provincial's strong support for the housing initiatives made possible through the actions of Government and Local Authorities. The Society has set aside over £13m for the Local Authority Support Scheme and amongst those which we have already helped this year I am particularly pleased to record our financial involvement in the scheme set up by the Northern Ireland Housing Executive.

Finance is also being provided for a growing number of Housing Associations including self and direct build groups and those specialising in the provision of finance for first-time purchasers.

The Need for Change

Whilst I share the view that competition will accelerate the pace at which change takes place there is an overwhelming need at this stage to avoid the undesirable consequences of responding in haste with ill considered strategies. More than ever before the Industry needs far-sighted leadership.

It is essential to understand fully the factors which give us the ability to achieve investment asset growth. Although, traditionally, we are under more pressure when interest rates are high we continued to achieve a very acceptable rate of growth in 1981 despite the maintenance of high rates and acute competition. Already, in 1982, as interest rates have eased, our inflow of deposits has markedly increased.

Historically the Building Societies have charged a mortgage rate below the market clearing rate so that in the post-war period there has almost always been an excess demand for mortgages. Because of the Building Societies' virtual monopoly of the mortgage lending market this has not led to diversification of the lending service but has produced the familiar pattern of queues for mortgages. We must now market our traditional services more prominently particularly in the field of finance for home improvements. In addition Building Societies will I believe need to develop their own technology in response to the trend towards 'self-service' in handling everyday deposit and withdrawal transactions.

I believe that our Industry will consolidate its position of strength within the domestic financial sector and that Provincial has considerable resources to continue to improve the efficiency and sophistication of the full range of Building Society services which it provides. I do not make these predictions with any sense of complacency or failure to recognise the enormity of the changes that lie before us. Our tasks are challenging but they offer the prospect of opportunity, hard work and personal satisfaction.

Dennis Howroyd

DENNIS HOWROYD, CHAIRMAN.

Address given at Provincial Building Society, 132nd Annual General Meeting, Provincial House, Bradford, on Monday 29th March 1982.

PROVINCIAL BUILDING SOCIETY

Reviews of the chairmen of the Transvaal gold mining companies administered by Anglo American Corporation

aac

"The recovery in the gold price may be slow but this will give the market renewed stability."

The following is an abridgement of the text common to the annual reviews for 1981 of Mr. H. F. Oppenheimer, chairman of Elandsrand; Mr. N. F. Oppenheimer, chairman of S.A. Land; Mr. D. A. Etheredge, chairman of Vaal Reefs and Mr. G. Langton, chairman of Western Deep Levels, Afrikander Lease and Southvaal Holdings.

Gold

The average price of gold at the London fixings fell to $459 an ounce in 1981 from $614 the previous year. Although the effect on South African gold mines was alleviated to a certain extent by the depreciation of the rand against the dollar, the average price received nevertheless declined to R12 988 a kilogram from R15 491 in 1980. During 1980, however, it was the exceptional confluence of a host of both political and economic circumstances that boosted speculative demand for gold to unprecedented levels in January and again in September. Whereas the initial run-up in the price of gold was initiated by investors who sought to protect the value of their assets against inflation, the market soon came to be dominated by short-term investors and speculators who sought to maximise the immediate return on their investments. Widespread liquidation of physical positions and a collapse in demand, particularly for jewellery fabrication, started the downward price trend that does not yet appear to be broken.

During the past year trading has been conducted in relatively narrow bands in a market largely confined to professional traders. Sales of mine production showed a slight increase in 1981 over 1980, largely as a result of aggressive sales, especially in the second half of the year, by the Soviet Union. Despite sharply reduced secondary supplies and a big upswing in offtake by the jewellery industry at the lower price, the market remained in oversupply due to weak investment demand. With real interest rates at record level as a result of the strict monetary policies of the US authorities and consequently, a strong dollar, investors, disappointed by the short-term performance of the gold price, withdrew from the gold market.

There is, nevertheless, very good demand for coins and small bars from the traditional hoarders in the East, where buyers are taking the opportunity to acquire an asset which is, in relation to the last two years, perceived to be cheap. In Japan, the market is firm and once banks are permitted to sell gold from April onwards, it may be expected that demand in this area will strengthen further. This buying activity, however, is not yet sufficiently strong to overcome the fears of investors in the West who look more to international economic factors than to actual flows of gold. It is for this reason that the widely anticipated strengthening of the market price when US interest rates declined did not eventuate.

Looking to the short to medium-term future, it seems that the price of gold will depend upon two major factors, namely, the economic policies of the industrialised countries and the level of supplies from the USSR. The bottom of the previous bear trend in August 1976 was marked by circumstances similar to those seen today: a stabilisation of the jewellery industry with significantly increased coin and small bar demand together with increased supplies. While it is pleasing that the role of gold in monetary affairs is again being considered by the United States, it seems highly unlikely that the congressional committee appointed to investigate this matter will come to any conclusion that will materially affect the gold market. The basic question is, therefore, whether the Western governments will continue with their strict monetary policies or whether political expediency in the face of massive unemployment, especially in the US with the forthcoming mid-term elections imminent, will result in a move back to gold. The price of gold has shown resilience in a market that appears dominated by bearish sentiment and it is worth remembering that current price levels would have been considered outstanding only three years ago. I believe that increased demand, later this year, will halt and reverse the present trend. The recovery may be slow but this will give the market renewed stability.

Industrial relations

As announced by the Chamber of Mines after the publication of the Wiehahn Commission final report late last year, the industry has embarked on discussions with the trades unions and the officials' associations which are intended to provide white employees with a greater feeling of job security without which the desired improvement in the utilisation of all employees cannot be achieved.

Meanwhile, trade unionism amongst black workers, which has grown rapidly in the South African commercial and industrial sector, is showing signs of emerging in some areas of the mining industry, though no formal approaches for recognition have been received by any of the companies. Some of the hitherto exclusively white trade unions have opened their membership to non-white employees but, again, this development is very recent and it is not possible yet to assess the effect it may have or the direction it may take.

For many years we have been engaged in improving communications and relationships with our employees and creating better living and working conditions. A system of industrial relations audits which determines the extent to which the mine has achieved the targets it sets for itself has been introduced.

Slow progress is being made in the sensitive interface areas of our industrial relations because of an inherent conservatism and the fact that there are such large numbers of workers on the gold mines who come from diverse parts of South Africa with different languages and cultural backgrounds, the majority of whom, generally, have not been afforded the opportunities of more than primary education. This makes it apparent that a smooth process of change and development faces formidable difficulties. A further constraint is that of finance, particularly as the costs of housing, amenities and infrastructure have escalated so alarmingly in recent years that it is not always possible to proceed as fast as we wish.

Nevertheless, important changes have taken place in this group and in the mining industry as a whole over the last few years and a good foundation is being laid for the future.

SUMMARY OF OPERATIONS

	Vaal Reefs 1981	Vaal Reefs 1980	Vaal Reefs South Lease area 1981	Vaal Reefs South Lease area 1980	Western Deep Levels 1981	Western Deep Levels 1980	Elandsrand 1981	Elandsrand 1980	S.A. Land 1981	S.A. Land 1980
GOLD Tons milled 000's	8502	8595	3078	2858	3156	3329	1214	985	1514	1336
Yield – grams/ton	8.65	8.13	10.90	10.59	12.36	13.70	4.29	5.33	0.98	1.11
Production (kg)	73507	69576	33547	30270	39013	45621	5204	5250	1478	1486
Cost-Rand/ton milled	42.31	36.39	39.82	38.21	55.53	44.17	50.17	42.98	3.88	3.93
Cost-Rand/kg produced	4881	4399	3654	3608	4492	3223	11704	8063	3970	3537
Price received – Rand/kg	12916	15784	12916	15784	12979	15931	12988	15491	12895	15438
Working profit R000's	591416	799047	311085	388270	331630	582885	6629	39801	4918	6720
Royalties paid R000's	158202	195637	158152	195587*	–	–	–	–	–	–
Capital expenditure R000's	136612	126106	61210	54197	121530	21936	28769	37055	4277	2545
Tax R000's	218481	335120	–	–	126360	328303	–	–	610	2114
Dividends cents/share	980	1320	–	–	405	800	–	–	40	55
URANIUM Production (tons)	1694	1758	790	773	212	213	–	–	–	–
Profit R000's	42524	46396	23193	21631	5072	3501	–	–	–	–

*Paid by Vaal Reefs to Southvaal Holdings

The annual general meetings of these companies, all of which are incorporated in the Republic of South Africa, will be held at 44, Main Street, Johannesburg, South Africa, on 29 April, 1982. Full copies of each of the chairmen's reviews together with the annual reports of all the companies may be obtained from their London office at 40, Holborn Viaduct, EC1P 1AJ, or from the office of the United Kingdom Transfer Secretaries, Charter Consolidated P.L.C., P.O. Box 102, Charter House, Park Street, Ashford, Kent TN24 8EQ.

Companies and Markets

MINING NEWS

Gold chairmen still hopeful

BY KENNETH MARSTON, MINING EDITOR

POINTING OUT that the current gold prices would have been considered outstanding only three years ago, chairmen of the Anglo American Corporation of South Africa group's non-OFS gold mines state, in the latest annual reports, their belief that there will be an increased demand later this year.

This, they say, will halt and reverse the present downtrend in bullion prices. "The recovery may be slow, but this will give the market renewed stability," they add. Gold lost a further $4 to $319 per ounce yesterday.

The huge Vaal Reefs gold and uranium complex (it employs some 43,000 men) plans to increase this year's milling to 8.9m tonnes from 8.5m in 1981 but will handle a lower gold grade of 8.3 grammes per tonne. This should produce 73,000 kilogrammes (73 tonnes) of gold compared with last year's record 73.507 kg.

It is planned to achieve an initial production of 60,000 tonnes per month of Ventersdorp Contact reef ore by October this year, rising to 90,000 tonnes by September 1983. In addition, proposals for increasing production from the Vaal reef horizon will be considered this year.

The young Elandsrand managed to achieve its milling target last year but the gold grade was lower than expected at 4.3g against the hoped-for 5.1g. Lack of available working rockface is still the main barrier to the mine attaining the desired production rates.

South African Land and Exploration expects capital expenditure to double this year to R8.4m (£4.5m), of which R5.6m will be spent on dewatering and sampling the adjacent workings of the old Van Dyk gold mine. It is hoped that the area will eventually support a new gold mine but information from the initial sampling is not expected before mid-1983.

Although the low gold price is causing concern, Randfontein points to the flexibility of its mining plan—gold recovery grades should be maintained in the short term—and sees no reason at present to curtail capital spending estimated at R100m this year.

The marginal Western Areas, however, sees little possibility of improving recovery grades in the near future and expects a difficult year if low gold prices persist. Finally, the base metal-producing Vogelstruisbult hopes that its dividend should at least be maintained this year.

MMC merger completed

THE SECOND and final stage of the merger between the tin-producing **Malaysia Mining Corporation** and **Malayan Tin Dredging** has been completed, although the terms have been revised.

The main participants, the Malaysian Government, its investment agency Permolalan Nasional, and Britain's Charter Consolidated, have all agreed to the new terms, even though they reduce the holdings of the latter two bodies in the enlarged Malaysia Mining Corporation (MMC), reports Wong Sulong from Kuala Lumpur.

The capital issues committee of the Kuala Lumpur Stock Exchange has reduced to 15.5m from 33.3m the number of new shares in MMC to be issued to Permodalan and Charter, with the result that their respective holdings will fall from 56.6 to 56 per cent and from 14.5 per cent to 14 per cent.

Under the original agreement, the extra MMC shares were to be issued to Permodalan and Charter in connection with the acquisition by MMC of a 42 per cent stake in the tin smelting business of the Singapore-registered Straits Trading.

This business will be vested in a new company, Malaysia Smelting, on April 1, with MMC holding 42 per cent and Straits Trading retaining a 58 per cent interest.

The restructuring is aimed at turning MMC into a fully-integrated tin producer, with interests in exploration, mining, smelting and marketing. The group owns 38 of the 54 tin dredges in Malaysia and accounts for 23 per cent of the country's annual output of 58,000 tonnes of tin.

The inclusion of an interest in the smelting business provides for Malaysian participation in one of the biggest tin smelting operations in the world, owning five large furnaces with an annual capacity of between 40,000 and 50,000 tonnes of metal.

In connection with the merger, the year-end of MMC is to be changed to January 31, with the first accounts of the enlarged group covering the period to January 31 1982, and the annual meeting will be held in June 1982.

BASE LENDING RATES

A.B.N. Bank	13 %
Allied Irish Bank	13 %
American Express Bk.	13 %
Amro Bank	13 %
Henry Ansbacher	13 %
Arbuthnot Latham	13 %
Associates Cap. Corp.	13 %
Banco de Bilbao	13 %
BCCI	13 %
Bank Hapoalim BM	13 %
Bank Leumi (UK) plc	13 %
Bank of Cyprus	13 %
Bank Street Sec. Ltd.	14 %
Bank of N.S.W.	13 %
Banque Belge Ltd.	13 %
Banque du Rhone et de la Tamise S.A.	13½%
Barclays Bank	13 %
Beneficial Trust Ltd.	14 %
Bremar Holdings Ltd.	14 %
Brit. Bank of Mid. East	13 %
■ Brown Shipley	13 %
Canada Perm't Trust	13½%
Castle Court Trust Ltd.	13½%
Cavendish G'ty T'st Ltd.	15½%
Cayzer Ltd.	13½%
Cedar Holdings	13 %
■ Charterhouse Japhet	13 %
Choulartons	14 %
Citibank Savings	¶12½%
Clydesdale Bank	13 %
C. E. Coates	14 %
Consolidated Credits	13½%
Co-operative Bank	*13 %
Corinthian Secs.	13 %
The Cyprus Popular Bk.	13 %
Duncan Lawrie	13 %
Eagil Trust	13 %
E.T. Trust	13½%
Exeter Trust Ltd.	14 %
First Nat. Fin. Corp.	16½%
First Nat. Secs. Ltd.	16½%
Robert Fraser	14 %
Grindlays Bank	‡13 %
■ Guinness Mahon	13 %
■ Hambros Bank	13 %
Heritable & Gen. Trust	13 %
■ Hill Samuel	§13 %
C. Hoare & Co.	†13 %
Hongkong & Shanghai	13 %
Kingsnorth Trust Ltd.	14 %
Knowsley & Co. Ltd.	13½%
Lloyds Bank	13 %
Mallinhall Limited	13 %
Edward Manson & Co.	14 %
Midland Bank	13 %
■ Samuel Montagu	13 %
■ Morgan Grenfell	13 %
National Westminster	13 %
Norwich General Trust	13 %
P. S. Refson & Co.	13 %
Roxburghe Guarantee	13½%
E. S. Schwab	13 %
Slavenburg's Bank	13 %
Standard Chartered	‖13 %
Trade Dev. Bank	13 %
Trustee Savings Bank	13 %
TCB Ltd.	13 %
United Bank of Kuwait	13 %
Whiteaway Laidlaw	13½%
Williams & Glyn's	13 %
Wintrust Secs. Ltd.	13 %
Yorkshire Bank	13 %

■ Members of the Accepting Houses Committee.
* 7-day deposit 10%, 1-month 10.25%. Short term £8,000/12 month 12.6%.
† 7-day deposits on sums of: under £10,000 10½%, £10,000 up to £50,000 11%, £50,000 and over 11½%.
‡ Call deposits £1,000 and over 10%.
‖ 21-day deposits over £1,000 11¼%.
§ Demand deposits 10¼%.
¶ Mortgage base rate.

LONDON TRADED OPTIONS

Mar. 29 Total Contracts 1,164 Calls 809 Puts 355

Option	Ex'rcise price	April Closing offer	April Vol.	July Closing offer	July Vol.	Oct. Closing offer	Oct. Vol.	Equity close
BP (c)	260	26	–	34	1	42	–	284p
BP (c)	280	11	–	22	28	28	–	"
BP (c)	300	4	66	12	10	21	43	"
BP (p)	280	11	10	16	–	20	–	"
BP (p)	300	20	66	24	40	30	40	"
BP (p)	330	48	–	48	60	52	50	"
CU (c)	160	1½	19	5	–	9	–	158p
Cons. Gld (c)	390	8	–	22	11	35	–	377p
Cons. Gld (p)	460	87	–	87	–	87	–	"
Ctlds (c)	60	25	5	27	–	27	–	83p
Ctlds (c)	90	6	–	11½	–	15	–	"
Ctlds (c)	50	2	–	5½	1	8½	18	"
GEC (c)	700	120	1	137	–	152	–	814p
GEC (c)	800	27	–	65	4	82	–	"
GEC (c)	850	7	17	34	10	52	–	"
GEC (p)	900	13	–	27	11	35	–	"
Gr'd Met. (c)	200	15	17	22	4	27	–	212p
Gr'd Met. (c)	220	4	77	11	–	15	–	"
Gr'd Met. (p)	200	4	–	5	–	12	–	"
Gr'd Met. (p)	220	15	–	15	8	19	1	"
ICI (c)	300	20	3	32	–	40	–	312p
ICI (c)	330	6	–	16	–	26	–	"
ICI (c)	360	1½	20	8	–	15	6	"
ICI (p)	300	2	–	3	–	6	–	"
ICI (p)	330	20	5	24	22	28	–	"
ICI (p)	360	50	10	50	–	55	–	"
Land Sec. (c)	260	13	–	22	–	30	4	287p
Mks & Sp. (c)	120	35	1	39	1	–	–	153p
Mks & Sp. (c)	140	15	10	19½	2	–	–	"
Mks. & Sp. (c)	160	4	16	7	–	11½	–	"
Shell (c)	360	11	21	25	–	36	–	364p
Shell (c)	390	3	–	14	60	20	–	"
		May		**August**		**November**		
Barclays (c)	420	33	–	52	1	62	4	448p
Barclays (c)	460	20	–	25	1	35	–	"
Barclays (p)	500	55	–	58	1	53	–	"
Imperial (c)	80	13	9	17½	2	20½	–	92p
Imperial (c)	90	5	–	10	12	13	–	"
Imperial (p)	100	1½	100	4½	95	7	–	"
Imperial (p)	110	–	–	2	–	6½	–	"
Lasmo (c)	260	42	–	52	–	60	1	284p
Lasmo (c)	330	8	13	15	–	–	–	"
Lonrho (c)	70	6	–	9	10	11	–	73p
P & O (c)	120	25	–	29	1	32	–	141p
P & O (c)	130	14	5	19	1	22	–	"
P & O (c)	140	7	5	12	3	15	9	"
Racal (c)	350	30	3	38	–	50	–	375p
Racal (c)	390	8	10	20	–	15	–	"
Racal (c)	390	8	2	13	5	19	–	"
Racal (p)	390	22	3	28	–	35	–	"
RTZ (c)	420	22	–	34	–	42	–	411p
RTZ (c)	390	6	–	18	1	23	–	"
RTZ (p)	420	8	–	30	3	42	–	"
Vaal Rfs. (c)	35	9	–	10½	1	–	–	34¾
Vaal Rfs. (c)	40	2½	6	3¾	6	5¼	–	"
Vaal Rfs. (p)	35	1	–	1¾	–	3	–	"
Vaal Rfs. (p)	40	1½	–	3¼	–	5	–	"
Vaal Rfs. (p)	45	4	1	5	–	6¼	–	"

C=Call P=Put

EUROPEAN OPTIONS EXCHANGE

Series	May Vol.	May Last	Aug. Vol.	Aug. Last	Nov. Vol.	Nov. Last	Stock
GOLD C $300	–	–	–	–	10	52	$318.25
GOLD C $325	23	16.10	7	23	5	33	"
GOLD C $350	8	4	5	16	19	22	"
GOLD C $375	6	2	22	10.10	3	15	"
GOLD C $400	20	0.70	3	5.50	20	10	"
GOLD C $425	–	–	10	3	–	–	"
GOLD P $300	3	8	8	12.50	20	14.10	"
GOLD P $325	20	16.50	–	–	2	25	"
GOLD P $350	20	35 A	235	34	20	39	"
GOLD P $375	5	53	4	53	–	–	"
GOLD P $400	14	80	–	–	–	–	"
12¾ NL 81 87-91							
C F.105	–	–	10	7.40	–	–	F.112
C F.107.50	50	4.50	13	5.20	–	–	"
C F.110	45	2.10	45	2.80	–	–	"
C F.112.50	5	0.90	5	–	–	–	"
P F.110	–	–	10	0.70	–	–	"
P F.112.50	–	–	260	1.90	–	–	"
12 NL 81 86-88							
C F.102.50	–	–	50	2.50	–	–	F.104.40
10¼ NL 80 86-95							
C F.97.50	–	–	10	4.30	–	–	F.101.20
C F.100	5	2.10 A	110	2.60	100	2.90	"
P F.102.50	–	–	15	1.40	–	–	"
P F.102.50	–	–	200	1.70	–	–	"
11¼ NL 82 88-92							
C F.102.50	250	1.30	67	1.70	–	–	F.103.20
P F.105	–	–	80	1.20	–	–	"
	April		**July**		**Oct.**		
ABN C F.300	–	–	2	1.80	–	–	F.285
AKZO C F.20	10	9.50	2	–	–	–	F29.70
AKZO C F.25	74	5	7	5.20	–	–	"
AKZO C F.27.50	184	2.60	–	–	24	3.60	"
AKZO C F.30	260	0.90	65	1.80	66	2.10	"
AKZO P F.30	200	0.80	–	–	–	–	"
AMRO C F.50	55	0.40	–	–	–	–	F.46.90
HEIN C F.45	3	10.50 B	–	–	–	–	F.55.50
HEIN C F.50	–	–	4	6.50 B	–	–	"
HEIN C F.55	71	1.40	35	3.50	29	4.10	"
HEIN P F.50	–	–	20	1	–	–	"
HOOG C F.17.50	–	–	10	–	10	1.20	F.16.80
KLM C F.100	150	9	52	14.60	–	–	F.108
KLM C F.110	107	3.60	38	9.50	–	–	"
KLM C F.120	84	2	–	–	–	–	"
KLM P F.90	7	0.30	–	–	–	–	"
KLM P F.100	70	0.90	20	4	–	–	"
KLM P F.110	41	4.70	15	7	–	–	"
NEDL C F.110	3	10.80	–	–	–	–	F.119
NEDL C F.120	12	4.20	12	6.50	–	–	"
NEDL C F.130	24	0.80	12	3.80	–	–	"
NEDL P F.140	1	–	30	1.60	–	–	"
NATN C F.115	3	3.50	5	–	–	–	"
PETR C Fr.5000	5	50	–	–	7	1.50	F.109.60
PHIL C F.17.50	4	6.10 B	–	–	–	–	Fr.4780
PHIL C F.20	52	4	–	–	–	–	F.21.60
PHIL C F.22.50	117	1.50	212	2	252	3	"
PHIL P F.25	81	0.20	30	0.90	194	1.60	"
PHIL P F.25	50	1.80	50	2.20	–	–	"
RD C F.70	5	16	–	–	–	–	F.85.60
RD C F.80	123	5.90	15	6.70	86	8.50 B	"
RD C F.90	210	0.80	140	2.60	35	3.80	"
RD P F.80	37	0.40 A	10	–	16	3.20	"
UNIL C F.150	7	7.30	–	–	–	–	F.156.60
UNIL C F.160	6	1.10	–	–	–	–	"
	May		**Aug.**		**Nov.**		
BASF C DM.140	40	1	–	–	–	–	DM.134.80
MANN C DM.160	10	0.70	10	2	–	–	DM.147.50
SIEM C DM.220	10	5.90	–	–	–	–	DM.220.70

TOTAL VOLUME IN CONTRACTS: 5487

A=Asked B=Bid C=Call P=Put

RESULTS AND ACCOUNTS IN BRIEF

FINDHORN FINANCE (whisky stock financier)—Interim dividend 6.5p (6p). Turnover half year January 31 1982 £921,381 (£818,753). Profit £125,385 (£125,942) before tax £20,893 (£19,286). Earnings per share, nil distribution basis, 16.7p (16.8p).

ANGLO-AFRICAN FINANCE COMPANY (security dealer)—Pre-tax profits for year to July 19 1981 £98,596 (£106,194); turnover £6.263 (£6.138); tax £47,700 (£89,262); share of profits less losses after tax of associates £1.39m (£242,000); extraordinary credit £30 491 (£75,218) debit); transfer from reserves £200,804 (£28,627). Dividend 1,125p net (0.75p). Dewhurst Dent is expected to make another loss in current year, and although all the overseas associates continue to trade profitably, the worsening climate means that profits for the year will be lower. Despite this, board is confident of at least being able to maintain dividend.

MONTAGU BOSTON—Dividend 1.25p (1.05p) for year to January 31 1982. Revenue £171,000 (£130,000), after all charges including tax of £185,000 (£112,000). Net asset value per ordinary share 69.25p (62.75p).

AQUIS SECURITIES (property investment)—Results for 1981 reported February 24. Fixed assets £13m (£9.77m); shareholders' funds £10.86m (£11.16m); current assets £3.48m (£5.73m); current liabilities £2.28m (£1.06m). Meeting, Clarendon Court Hotel, W. April 23, noon.

UK COMPANY NEWS

James Halstead advances 50%

DESPITE continuing difficult trading conditions and keen competition, **James Halstead Group** increased taxable profits by 50 per cent from £408,107 to £612,572 in the six months to December 31 1981, on turnover marginally lower at £9.49m compared with £10m.

Earnings per 10p share rose to 5.64p (3.78p) before tax but fell to 3.56p (3.9p) after tax. The interim dividend is being raised from 0.8p net to 1.25p to reduce disparity with the final distribution. Last year a total dividend of 2.65p was paid from pre-tax profits of £1.3m.

The directors of this group, which makes PVC floor coverings, waterproof clothing, tents and vehicle sound insulation panels, say that the management of all the operating companies maintained their efforts to reduce costs, improve productivity and seek new opportunities. The position of the group remains strong in terms of financial and management resources they add, and they view the future with confidence.

Taxable profits—which do not include a contribution from the recently acquired Averoy Travel—were struck after depreciation of £143,551 (£122,707), debenture interest of £13,648 (£13,672), and bank interest of £27,714 (£86,639).

Tax took £223,984 (£12,627 credit) and after extraordinary debits of £22,646 (£365 credits) the attributable profits emerged at £365,942 (£421,099).

● comment

Better housekeeping, James Halstead says, is responsible for the healthy jump in pre-tax profits at the interim stage. Volume is down throughout the group and gross margins remain under presure. Halstead is working hard to eliminate the seasonal element in its trading, particularly at Conway, its camping equipment business. Conway's loss at the half-way stage (it was £90,000 last year) has been pared down to £40,000. The recent demise of a major competitor in retail floor covering has cleared the decks and if Halstead can fill the gap, the impact on profits could be significant. This hint of growth from the otherwise sluggish group could be one of the reasons forthe recent price gains. Trading at a ten-year high, the shares held unchanged at 72p yesterday. The group should reach £1.6m pre-tax this year, assuming a £200,000 contribution from Averoy. This indicates a fully-taxed prospective p/e of about 10, which seems a bit demanding. A maintained dividend suggests a prospective yield of about 5.4 per cent.

Pifco first six months 'difficult'

REDUCED CONSUMER spending on small appliances made first half trading difficult at **Pifco Holdings**. Pre-tax profits were held back to £625,000, compared with £692,000, for the six months to October 31 1981.

The directors say that margins were also under pressure from increased costs and competition. The Budget is not expected to materially change the depressed economic conditions and the low level of trading, they add.

The interim dividend has been held at 1.76p. The last total payment was 5.28p.

Taxable profits included higher investment income of £194,000 (£177,000). Tax was lower at £324,000 (£359,000).

ACORN SECS.

The Inland Revenue has agreed the investment trust status of Acorn Securties up to January 13 1982, and winding-up can now be completed.

Members will receive a total of approximately 140p, compared with a previous estimate of 138p.

Appleyard trims losses but omits final again

TRADING CONDITIONS in 1981, particularly in the last quarter, were even more difficult for the **Appleyard Group of Companies** than in the previous year, but by very stringent controls on resources and costs the company substantially reduced its loss for the 12 months ended December last from £1.88m to £1.44m at the pre-tax level.

The final dividend however is being omitted in view of the results. An interim of 0.1p per 25p share was paid in November in order to retain the trustee status of the shares—both payments were passed the previous year.

On prospects the directors say the exceptionally bad weather in January seriously affected both vehicle sales and service throughout the UK, although they add that there are now signs of a slight improvement in market conditions.

Turnover of the group, which distributes and retails cars, commercial vehicles, agricultural equipment and fuel oil, declined during 1981 from £116.48m to £98.5m and trading losses emerged much higher at £496,000, compared with £191,000.

Interest and finance charges were lower at £1.2m (£1.86m) and share of profits of associates advanced from £176,000 to £262,000.

Tax took £56,000 (£63,000 credit) and after extraordinary credits of £90,000 against a debit last time of £883,000, there was an attributable loss of £1.4m (£2.7m).

Loss per share is given as 18.9p (22.9p).

Commenting on the results the directors say there was a continual succession of promotional schemes which eliminated profit margins and caused many retail outlets throughout the industry to trade at a loss.

The position was exacerbated by a complete collapse of the heavy commercial vehicle market, which reflected the low level of business activity as vehicles were laid up or not replaced, they add.

On a CCA basis the pre-tax loss emerges at £1.94m (£2.94m).

At midyear historical taxable losses were £511,000 (£345,000).

● comment

The BL franchise continues to be Appleyard's biggest headache. All of the £1.5m loss from the car division came from the BL and small Rolls-Royce franchise, while the Ford dealership remains profitable. Appleyard has been reducing its dependence on BL over the past two years, but it still represents over 50 per cent of sales, and the company believes it will "come good" by 1983. Profits from the contract hire associate improved by almost 50 per cent to £262,000, and Appleyard intends to increase the fleet of 2,750 by around 20 per cent this year. Gearing is almost double the 37 per cent at the end of 1980. With the basic business already rationalised in 1979-80, Appleyard plans to sell off its loss-making agricultural machinery business leaving the company entirely in the motor trade, with the exception of the small, but consistently profitable fuel distribution business. After the results the share price fell 1p to 66p. Suter Electrical continues to hold the near 25 per cent of the equity, which is built up in 1981.

JOHN BRIGHT

Bright (John) Group is omitting the preference dividend for the half year to May 31 1982.

Floyd Oil midway decline

TAXABLE PROFITS of Floyd **Oil Participations** declined from £202,000 to £113,000 for the six months ended December 31 1981 on turnover of £31,000, compared with an adjusted £30,000.

At the operating level, the group, with interests in oil and gas exploration and production, incurred a loss of £133,000, against a surplus of £45,000 which included writing back a provision of £76,000 regarding the previous financial year.

The pre-tax figure for the first half of the current year included other income of £245,000 (£157,000) and was after interest. Tax took £37,500 (£50,000) leaving the net balance at £75,000 (£152,000).

The company, whose shares have been traded in on the Unlisted Securities Market since May 1981, is not paying an interim dividend—for the year to end-June 1981 its profits before tax were £657,139 (£68,417 loss).

As more gas wells come on to production, the income of Floyd Oils North American subsidiaries will begin to build up during the calendar year of 1982.

Molynx swings back

AFTER reporting first half losses of £23,400 against £65,333, **Molynx Holdings**, formerly M. Mole and Son, has swung back into profit with pre-tax figures of £64,853 for 1981 as a whole. Losses of £135,662 were incurred in 1980. No dividend is again being paid.

The board says 1981 saw further progress in the reorganisation of the group, which manufactures equipment for the television industry. The cessation of tool manufacture was completed, all costs thereof having been provided in earlier years.

Levels of stock have been substantially reduced with the consequent benefit to the overall liquid position. They say turnover, down from £1.51m to £821,000, did not reach the anticipated level, but in the face of continuing recessionary conditions the resulting profit for the year can be deemed as "satisfactory."

The directors say that, within its limited resources, the company continues to invest in research and development, which is vital to the future. Current conditions continue uncertain, but the company's costs remain under tight control, and they anticipate a modest improvement in profitability in 1982.

Pre-tax profits for the year were struck after interest charges of £30,845 compared with £89,574. There was again no tax charge and stated earnings per 20p share were 2.81p (5.88p loss).

Extracts from the statement by the chairman of Anglo American Industrial Corporation Limited, Mr. G. W. H. Relly.

"The increased size and diversity of the group has assured its ability to undertake further major capital projects and to finance these from a sound base."

After South Africa's very rapid rise in economic activity during 1980, when company profits rose sharply, the rate of growth diminished in 1981. Against this background, the 18 per cent increase in the Amic group's earnings to R178.7 million can be considered satisfactory. Earnings per share rose by a similar percentage from 561.6 cents to 662.6 cents per share.

The final dividend was increased by 17.5 cents to 115 cents per share, giving an 18 per cent increase in the total dividend from 140 cents to 165 cents per share.

Amic's major operating subsidiaries generally achieved satisfactory profit increases although the very much higher interest rates had an inhibiting effect. Dividend income from the group's associated companies and investments improved by 52 per cent to R27.3 million reflecting the improved profit performance of this portfolio. Arising from continuing weakness in overseas markets as the international recession deepened, export revenues declined by nine per cent to R181 million, although capacity utilisation was generally maintained at a high level in meeting domestic requirements.

During 1981 Amic took several important steps to provide for its future growth and impetus. The most significant was the announcement in November 1981 that Amic was to merge with Debincor and was also to acquire certain additional industrial interests from the Anglo American Corporation and De Beers groups. These proposals were implemented with effect from January 1 1982 and resulted in Amic acquiring two important new subsidiaries, Highveld Steel and Vanadium Corporation and The Natal Tanning Extract Company as well as several new associated companies, particularly AECI and Huletts Corporation. The increased size and diversity of the group has assured its ability to undertake further major capital projects and to finance these from a sound base. In addition, the options issued by Amic to the Debincor shareholders, if exercised, will provide a substantial inflow of new capital in future years. Arising from the merger, Amic now has some 45 million ordinary shares in issue with a market capitalisation of about R1 200 million.

Amic also announced during 1981 that Mondi Paper Company was to undertake the construction of a new pulp mill complex at Richards Bay at an estimated cost of R520 million. The project will be funded from equity subscriptions by Mondi's shareholders, from Mondi's own cash resources and from committed borrowing facilities from banking institutions. When it is commissioned, the pulp mill will meet the Mondi group's increasing need for chemical pulp, which is presently imported, and will also generate substantial export revenues.

Labour and productivity

It is pleasing to record that almost 500 black apprenticeship contracts were registered in 1981, more than double the number registered in 1980. One significant problem which continues to impede an adequate supply of skilled workers is the fact that technical training institutions continue to be racially segregated and, therefore, often underutilised. Hopefully, the newly-created National Training Board will give attention to this matter in the near future.

1981 saw a significant increase in industrial unrest, with 342 stoppages being recorded, involving almost 93 000 workers and causing the loss of 226 000 man days, almost as many as were lost in 1973.

Although these statistics give cause for concern, South Africa remains amongst the least strike-prone countries in the world. It is to be hoped that what we are witnessing at present is a transition phase, and that industrial unrest will decline as black workers become involved in established collective bargaining structures.

Included in the year's annual report is a statement of the philosophy which underlies industrial relations and employment practices being adopted by Amic's subsidiaries. These subsidiaries operate in widely divergent industrial sectors and specific management policies differ accordingly.

A system of industrial relations and employment practices audits has been instituted within the subsidiary companies, and a statement of progress achieved to date is also included in the annual report. Again, progress must vary depending upon the business and financial circumstances of the particular companies involved. This crucial aspect of our businesses continues, however, to enjoy maximum attention from management at all levels of the organisation.

Outlook

It is clear that 1982 is likely to be a difficult year with the country facing lower export prices in contracting world markets. At the same time, although consumer demand is being dampened, inflation is continuing at a high rate and industrial companies are having difficulty in containing costs and are also paying record interest rates as domestic liquidity remains tight. Against this backdrop, it will be difficult for Amic's operating subsidiaries to achieve higher profits in real terms. However, the enlargement of the group has resulted in a very sound spread of investments across the economic spectrum and these new investments will contribute to 1982 earnings. As forecast at the time of the merger with Debincor, there may be a small dilution in earnings per share but it is anticipated that the group will be able to increase the dividend by an amount at least equal to the rate of inflation.

The outlook for the future development and expansion of the group is encouraging with R1 500 million of capital expenditure budgeted over the next five years. All the major subsidiaries are engaged in ongoing capital projects of which the most significant is the establishment of the pulp mill complex at Richards Bay. This project will carry Mondi to the forefront of the world's major pulp and paper companies when it is commissioned in some three to four years' time.

The 18th annual general meeting of Anglo American Industrial Corporation Limited will be held in Johannesburg on April 20, 1982. Copies of this review with the annual report are obtainable from the London office of the Company at 40 Holborn Viaduct, EC1P 1AJ, or from the transfer secretaries, Charter Consolidated P.L.C., P.O. Box 102, Charter House, Park Street, Ashford, Kent TN24 8EQ.

Low and Bonar falls to £5.1m

SECOND HALF taxable profits of Low and Bonar fell from £3.7m to £3.4m and year-end profits to November 31 1981 were down at £5.1m against £7.64m which included associate profits of £713,000 against £576,000. Group sales rose from £152m to £166m.

A final dividend of 2p (9.5p) has been declared making a total of 7p against 14.5p last time. Stated earnings per share fell from 41.27p to 18.62p.

The directors say the improved trading in the UK in the second half compared with the first has not continued in the current year. They say the major problem has been and continues to be in the UK operations and in particular the engineering companies. The UK/EEC taxable profits fell from £3.4m to £1.5m.

Two companies in the UK engineering division — Bonar Langley Alloys and Bonar Hugh Smith—incurred losses of £1.4m. This resulted in the engineering division making losses of £386,000 compared with profits of £876,000 last time.

They say that losses in these companies have continued this year and they have decided to close the foundry and ancillary activities at Bonar Langley Alloys and the manufacturing operations at Bonar Hugh Smith. However, they add, both companies will continue marketing and other limited operations.

Closing down costs and losses, to be reflected as an extraordinary item in accounts for the year to November 1982, could amount to £1.5m before taking into account any tax relief which may be available, the directors say.

They added that these costs could be substantially offset in 1983, or subsequently, from the realisation of fixed assets of the companies.

Profits earned in Africa increased from £4.1m to £4.7m while North American profits fell from £1.9m to £0.9m.

The directors say the joint venture company in Malaysia incurred losses as a result of an inadequate level of orders and the Australian companies were affected by high interest charges.

Tax took £2.65m (£1.83m) leaving profits after tax of £2.44m (£5.81m). There were extraordinary credits of £171,000 against debits of £555,000 and minorities took £531,000 (£647,000).

Net group borrowings represent 38 per cent (32 per cent) of shareholders' funds.

CCA pre-tax profits stand at £1.39m (£2.29m).

● **comment**

Low and Bonar's pre-tax profits of £5.1m were roughly in line with market expectations, but the slashing of the final dividend by 80 per cent—after the interim had been maintained — most certainly was not. After the announcement the share price of 181p rapidly plummeted to 130p, against stated net assets per share of 352.6p. UK engineering losses of over £1m contributed to a drop of almost £2m in UK/EEC profits to £1.5m. This impacted on the ACT problem, with trading profits from Africa, mostly in textiles and clothing, increasing by 15 per cent to £4.7m. While total pre-tax profits dropped by "only" a third—and almost all the damage was in the first half, after tax profits were only 42 per cent of 1980's level. This year the ACT problem looks like being worse still, with trading outside Africa deteriorating in the first quarter. Low and Bonar is moving out of UK mechanical engineering and into the travel business, but the damage has already been done. The shares yield 7.8 per cent on the more than halved dividend. The same payout seems on the cards for 1983, though yesterday's surprise makes forecasting Low and Bonar took a hazardous business.

Charterhouse Grp. £6.5m higher at £22.6m pre-tax

AN IMPROVEMENT by the development capital division of almost £9.4m at the trading level, meant that Charterhouse Group was able to increase 1981 pre-tax profits from £16.12m to £22.59m.

This more than maintains the progress made at halfway, when an advance from £8.76m to £10.33m was reported, but the directors say that although the second half showed some improvement in the various sectors in which the group is invested, the continuing effects of the recession make it difficult to forecast for the current year.

Higher 1981 tax of £11.31m (£4.27m) reduced earnings per 25p share to 7.12p compared with 9.64p, which benefited from substantial tax relief. Nevertheless the total dividend is lifted from 4.51p to 4.925p with a final payment of 3p net, at a cost of £4.57m.

Trading profits of £26.73m (£20.65m) consisted of development capital £13.31m (£3.95m), oil exploration and production £4.89m (£7.75m), manufacturing £3.94m (£4.03m) and services £4.59m (£4.92m).

Banking, after a transfer to inner reserve contributed £5.98m (£4.22m), while unallocated central costs took £1.5m (£1.03m) and interest payable £8.6m (£7.72m).

Below the line, minority profits amounted to £319,000 (£131,000), there were currency translation profits of £1.55m (£1.12m losses) and extraordinary debits of £4.43m (£5.53m credits). These arose principally from the sale of Alenco last December but also include the costs of closures, redundancies and provisions for discontinued activities.

Capital profit on the sale of Napcolour is not included since the disposal took place after the year-end.

Preference dividends absorbed £165,000 (£197,000) and ordinary payments £7.53m (£5.52m), leaving the retained balance down from £10.75m to £387,000.

Commenting on the results the directors report that the recession affected a number of the customers of the banking division, which included a full year's trading of Keyser Ullmann, the European operations of which were sold last September. Trading generally, however, has been encouraging and the enlarged bank now fully integrated, is able to conduct business on a larger scale.

Within the investments division, they describe development capital profit as outstanding, particularly in the U.S. where two successful public offerings were made.

Oil exploration and production attributable profits fell, following a reduction of the group's holding in Charterhouse Petroleum after the 1980 floatation. Profit of that company was £10.1m (£9.1m) before tax.

● **comment**

A 40 per cent increase in Charterhouse's pre-tax profits cut little ice with the market yesterday—the shares gained just 1p to finish at 80p. The group's EPS has slipped by more than a fourth under the heavy weight of all those shares issued to buy Keyser Ullman. This group was fully consolidated with Charterhouse Japhet in the second half of the year and better returns are expected in the current year. A further drag on EPS is taxation, which jumped by 160 per cent in the year. This burden may prompt a re-examination of the 48 per cent stake in Charterhouse Petroleum, as it carries such a steep tax liability. The group's manufacturing side is something of a relic of Charterhouse's old industrial holding mentality no longer fits into the venture capital and banking image. Charterhouse plans to apply its growing expertise in development capital to its manufacturing division, meaning less 100 per cent holdings and more minority equity stakes. But all this takes time and its doubtful that EPS will be back to the 1980 peak this year. The increased dividend gives the shares an historic yield of about 9 per cent.

Yorkshire Chemicals £1.66m in the red

A FALL in second half losses from last time's £1.27m to £75,000, brought the deficit incurred by Yorkshire Chemicals for 1981 to £1.66m as against £859,000. Turnover for the year slipped from £21.5m to £18.95m.

The directors of this dyes and tanning materials manufacturer say that the improved performance during the second half resulted from some easing of destocking by customers, a more competitive sterling exchange rate and the preservation of a reasonable balance between production and sales following a return to five-day working in April.

The balance sheet remains strong, they add, stocks were reduced by £1.3m during the year, and net short term borrowings were eliminated. While dyestuffs remained the backbone of the group's operations there was a modest increase in sales of non-dye products.

The taxable losses were struck after depreciation of £1.11m (£1.09m), interest payable less receivable of £557,000 (£1.1m) and realised exchange gains of £151,000 (£249,000 losses). Tax took £78,000 (£115,000) and after a credit of £302,000 (£200,000 debit) for a movement in the provision for unrealised exchange gains on translation of foreign accounts, the attributable losses emerged at £1.44m (£1.17m).

Preference dividends took £11,000 (same) and the ordinary distribution absorbs £67,000 (nil), leaving a retained deficit of £1.52m (£1.19m).

They are confident that the measures already taken and in train to reduce costs, conserve cash and re-organise production and marketing resources are providing a firm basis for a fundamental recovery in the group's fortunes. It will take time, they say, however, for recent changes in policy and organisation to bear fruit and no significant profit can be assumed for 1982.

With losses per 25p share stated at 13p (7.3p), and despite adverse trading conditions, a final dividend of 0.5p net is to be paid—the last distribution was a final of 2.45p in 1979. The directors say the payment is a gesture of their commitment to and confidence in the future success of the group.

Current cost adjustments increased the taxable losses to £2.64m (£2.66m).

● **comment**

Just as Yorkshire Chemicals thought it was getting back on an even keel, in the fourth quarter of 1981 it began to feel the draught of the deepening U.S. recession. Though the UK is its biggest single market, overseas business represents 70-75 per cent of sales including a substantial proportion going to Far East manufacturers supplying the American market, and the downturn here has continued into the first three months of the current year. While the company believes it is better able to match production to demand a return to profit is not likely until the fourth quarter of 1982. Yesterday the improved outlook lifted shares 6p to 44p.

Electric and General ahead

Net income at Electric and General Investment Company improved from £379,685 to £424,875 in the nine months to February 28 1982. This figure was after interest charges and expenses up from £175,728 to £220,824, and a tax charge of £279,723 compared with £232,439.

Stated earnings per 25p share were higher at 2.35p against 2.1p, and net asset value per share was up from 154.1p to 156.5p.

SPAIN

March 26	Price %	+ or —
Banco Bilbao	342	
Banco Central	339	
Banco Exterior	302	
Banco Hispano	314	
Banco Ind. Cat.	110	
Banco Santander	341	
Banco Urquijo	204	
Banco Vizcaya	361	
Banco Zaragoza	241	+2
Dragados	153	+3
Espanola Zinc	60.5	
Fecsa	61	+0.3
Gal. Preciados	38	—2
Hidrola	63	+1.3
Iberduero	52	—1.3
Petroleos	92.9	+1.2
Petroliber	98	
Sogefisa	90	
Telefonica	71	
Union Elect.	63.7	

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Companies and Markets

CURRENCIES, MONEY and GOLD

Dollar firm

The dollar was firmer yesterday as Euro-dollar rates rose in response to a rise in U.S. money supply figures.

Sterling lost ground against the dollar, but improved against European currencies. The Bank of England may have given a smoothing hand.

The D-mark was placed at the top of the European Monetary System yesterday followed by the Dutch guilder. The French franc showed a stronger tendency and was placed only just below the Irish punt but above the weakest member, the Belgian franc.

DOLLAR—Trade weighted index (Bank of England) 116.2 against 115.7 on Friday and 109.0 six months ago. Three-month Treasury bills 13.32 per cent (14.10 per cent six months ago). Annual inflation 7.7 per cent (8.4 per cent previous month)—The dollar rose to its best level since last September against the D-mark, successfully breaching the DM 2.40 level, to close at DM 2.4125 compared with DM 2.3945 on Friday. Against the Swiss franc it rose to SwFr 1.9230 from SwFr 1.9125. It was easier against the Japanese yen however at Y246.75 from Y247.0 and slipped from an all time high against the French franc of FFr 6.29, touched during the day, to close at FFr 6.2350 from FFr 6.2525.

STERLING — Trade weighted index 90.9 against 91.0 at noon and 90.9 at the opening and on Friday (86.4 six months ago). Three-month interbank 13½ per cent (16⅞ per cent six months ago). Annual inflation 11 per cent (12 per cent six months ago) —The pound opened at $1.7830 against the dollar and touched a best level of $1.7890 early on before coming back in the afternoon to a low of $1.7760. It closed at $1.7795-1.7805, a fall of 1.05c, and its lowest closing level since last September. Against the D-mark it rose to DM 4.30 from DM 4.2350 and SwFr 3.4350 from SwFr 3.4225 in terms of the Swiss franc. The French franc made a strong recovery, with sterling slipping to FFr 11.0950 from FFr 11.1850.

D-MARK — EMS member (strongest). Trade weighted index 122.9 against 123.5 on Friday and 120.2 six months ago. Three-month interbank 9.325 per cent (12.2 per cent six months ago). Annual inflation 5.8 per cent (6.3 per cent previous month)—The dollar was fixed at its highest level for over six months at the fixing in Frankfurt yesterday at DM 2.4105 from DM 2.3982 on Friday. The Bundesbank sold a token $5.4m at the fixing while Euro-dollar rates rose in expectation of further rises in U.S. money supply. Sterling rose to DM 4.3030 from DM 4.2880 while the Swiss franc slipped to DM 1.2545 from DM 1.2565. Within the EMS the French franc was stronger at DM 38.42 per FFr 100 against DM 38.24 and the Belgian franc improved to DM 5.3030 from DM 5.2940 per BFr 100.

EURODOLLAR interest rates were firmer yesterday, reflecting a modest rise in U.S. money supply, and the dollar was weaker in forward markets as a result. The Belgian franc showed a smaller discount as Euro-Belgian franc rates fell sharply while the French franc was basically unchanged in the Euro-French franc rates remained static. Euro-sterling rate showed a steady decline during the day after a firmer start to finish unchanged from Friday.

THE POUND SPOT AND FORWARD

March 29	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.7780-1.7890	1.7795-1.7805	0.25-0.35c dis	-2.02	0.88-0.98dis	-2.09
Canada	2.1800-2.1890	2.1920-2.1930	0.50-0.60c dis	-3.01	1.70-1.80dis	-3.19
Nethlnd.	4.75-4.78	4.75¼-4.76¼	2¼-1⅝c pm	5.36	6¼-5¾ pm	5.15
Belgium	80.80-81.40	81.15-81.25	12-22c dis	-2.51	55-70 dis	-3.08
Denmark	14.62-14.71	14.65¾-14.66¾	2-2¼ore dis	-2.00	8¼-9¾ dis	-2.46
Ireland	1.2580-1.2625	1.2575-1.2585	0.46-0.79p dis	-7.03	1.83-2.06dis	-6.27
W. Ger.	4.29¼-4.32	4.29¼-4.30¼	1¾-1¼pf pm	4.19	4¼-4¾ pm	4.07
Portugal	128.00-127.75	128.00-127.25	85-235c dis	-13.82	285-685 dis	-12.22
Spain	189.25-189.25	189.50-189.70	85-85c dis	-4.54	195-235 dis	-4.54
Italy	2,350-2,360	2,351-2,353	27-31 lire dis	-15.06	69-74 dis	-12.16
Norway	10.58-10.95	10.58-10.90	1¾-2¾ore dis	-2.65	3¾-5¾ dis	-2.03
France	11.08½-11.22½	11.09-11.10	15¾-19¾c dis	-19.20	29½-33 dis	-11.45
Sweden	10.56-10.62	10.58½-10.59½	1¾-1ore pm	0.85	2¾-2¼ pm	0.90
Japan	435-443	439-440	2.40-2.10y pm	6.14	7.45-7.15 pm	6.64
Austria	30.10-30.30	30.20-30.25	14-11gro pm	4.96	35-28 pm	4.17
Switz.	3.41½-3.44½	3.43-3.44	2¾-2c pm	7.85	6½-6 pm	7.28

Belgian rate is for convertible francs. Financial franc 92.20-92.30. Six-month forward dollar 1.80-1.90c dis. 12-month 2.80-3.05c dis.

THE DOLLAR SPOT AND FORWARD

March 29	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.7780-1.7890	1.7795-1.7805	0.25-0.35c dis	-2.02	0.88-0.98dis	-2.09
Ireland†	1.4255-1.4420	1.4380-1.4400	0.46-0.56c pm	5.10	1.60-1.45 pm	4.25
Canada	1.2290-1.2325	1.2320-1.2325	0.13-0.16c dis	-1.41	0.35-0.39dis	-1.20
Nethlnd.	2.6640-2.6780	2.6725-2.6765	1.05-0.95c pm	4.04	2.65-2.55 pm	3.89
Belgium	45.22-45.61	45.59-45.61	par-4c dis	-0.53	7-13 dis	-0.88
Denmark	8.2150-8.2460	8.2350-8.2400	0.20-0.60ore dis	-0.44	0.60-1.10dis	-0.41
W. Ger.	2.3875-2.4175	2.4120-2.4130	1.23-1.19pf pm	6.99	3.72-3.67 pm	6.13
Portugal	71.10-71.55	71.20-71.50	40-120c dis	-13.44	105-295dis	-11.20
Spain	106.25-106.55	106.45-106.55	20-30c dis	-2.82	65-80 dis	-2.72
Italy	1,318½-1,322¼	1,319½-1,319¾	14-16lire dis	-13.61	33-36 dis	-10.42
Norway	6.1125-6.1325	6.1150-6.1250	0.20-0.50ore dis	-1.18	0.60-1.20 dis	-0.23
France	6.2200-6.2900	6.2325-6.2375	7¼-9c dis	-15.78	12½-14 dis	-8.46
Sweden	5.9320-5.9600	5.9400-5.9500	1.40-1.25ore pm	2.67	4.65-4.30 pm	2.94
Japan	246.70-247.75	246.70-246.80	1.35-1.50y pm	3.16	5.25-5.10 pm	3.38
Austria	16.88-16.89½	16.87¾-16.89¼	10-8½gro pm	6.62	27-24½ pm	6.13
Switz.	1.9120-1.9300	1.9225-1.9235	1.60-1.53c pm	9.74	4.50-4.43 pm	9.27

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

CURRENCY MOVEMENTS

Mar. 29	Bank of England Index	Morgan Guaranty Changes%
Sterling	90.9	-39.9
U.S. dollar	116.2	+8.2
Canadian dollar	88.0	-18.3
Austrian schilling	116.5	+25.2
Belgian franc	94.0	-2.2
Danish kroner	82.6	-14.2
Deutsche mark	122.9	+46.2
Swiss franc	153.5	+106.0
Guilder	114.0	+81.5
French franc	78.8	-13.5
Lira	54.3	-58.3
Yen	134.3	+29.2

Based on trade weighted changes from Washington agreement December, 1971. Bank of England index (base average 1975=100).

CURRENCY RATES

Mar. 29	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.603866	0.559264
U.S. dollar	12	1.11415	0.999405
Canadian $	15.11	1.36839	1.22837
Austria Sch.	6¾	18.7780	16.8400
Belgian F	14	50.6431	45.1956
Danish Kr	11	9.10986	8.16954
D mark	7½	2.67195	2.39498
Guilder	8½	2.95863	2.65143
French Fr	9½	6.96126	6.24078
Lira	19	1466.78	1315.47
Yen	5½	273.501	247.053
Norwgn. Kr	9	6.78963	6.08588
Spanish Pta	8	118.085	106.047
Swedish Kr	10	6.57905	5.90049
Swiss Fr	6	2.12714	1.90757
Greek Dr'ch	20½	—	62.2330

OTHER CURRENCIES

Mar. 29	£	$		Note Rates
Argentina Peso	20,250-20,290†	11,350-11,400†	Austria	29.95-30.25
Australia Dollar	1.6945-1.6965	0.9510-0.9515	Belgium	91.92
Brazil Cruzeiro	259.00-260.00	145.28-145.91	Denmark	14.60-14.74
Finland Markka	8.241-8.253	4.6320-4.6350	France	11.14-11.24
Greek Drachma	109.016-112.356	62.40-63.60	Germany	4.28-4.32
Hong Kong Dollar	10.403-10.413	5.8430-5.8470	Italy	2310-2365
Iran Rial	147.40*	82.80*	Japan	441-446
Kuwait Dinar (KD)	0.507-0.515	0.2861-0.2863	Netherlands	4.74-4.78
Luxembourg Fr	81.10-81.25	45.59-45.61	Norway	10.88-10.98
Malaysia Dollar	4.1680-4.1650	2.3355-2.3375	Portugal	125-130
New Zealand Dlr	2.3190-2.3130	1.3015-1.3035	Spain	188¾-193¼
Saudi Arab. Riyal	6.06-6.12	3.4195-3.4215	Sweden	10.52-10.62
Singapore Dollar	3.7950-3.8030	2.1315-2.1385	Switzerland	3.41¼-3.45¼
Sth. African Rand	1.8655-1.8665	1.0480-1.0485	United States	1.77¼-1.79
U.A.E. Dirham	6.52-6.58	3.6700-3.6730	Yugoslavia	92-103

† Now one rate. * Selling rate.

EMS EUROPEAN CURRENCY UNIT RATES

	ECU central rates	Currency amounts against ECU March 29	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	44.6963	45.2609	+1.26	+1.26	±1.5440
Danish Krone	8.18382	8.18949	+0.07	+0.07	±1.6428
German D-Mark	2.41815	2.39877	-0.80	-0.80	±1.1097
French Franc	6.19564	6.24250	+0.76	+0.76	±1.3743
Dutch Guilder	2.67296	2.65682	-0.61	-0.61	±1.5069
Irish Punt	0.684799	0.691629	+0.70	+0.70	±1.6689
Italian Lira	1305.13	1313.15	+0.61	+0.61	±4.1242

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

Sterling/ECU rate for March 29 .... 0.558364

EXCHANGE CROSS RATES

Mar. 29	Pound St'rling	U.S. Dollar	Deutschem'k	Japan'se Yen	French Franc	Swiss Franc	Dutch Guild	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	1.788	4.300	439.5	11.095	3.435	4.760	2352.	2.193	81.20
U.S. Dollar	0.562	1.	2.416	246.9	6.233	1.930	2.674	1321.	1.232	45.62
Deutschemark	0.233	0.414	1.	102.2	2.580	0.799	1.107	547.0	0.510	18.88
Japanese Yen 1,000	2.275	4.050	9.784	1000.	25.24	7.816	10.83	5352.	4.989	184.8
French Franc 10	0.901	1.604	3.876	396.1	10.	3.096	4.290	2120.	1.976	73.19
Swiss Franc	0.291	0.518	1.252	127.9	3.230	1.	1.386	684.7	0.638	23.64
Dutch Guilder	0.210	0.374	0.903	92.33	2.331	0.722	1.	494.1	0.461	17.06
Italian Lira 1,000	0.425	0.757	1.828	186.9	4.717	1.460	2.024	1000.	0.932	34.52
Canadian Dollar	0.456	0.812	1.961	200.5	5.060	1.567	2.171	1073.	1.	37.04
Belgian Franc 100	1.232	2.192	5.296	541.3	13.66	4.230	5.862	2897.	2.700	100.

FT LONDON INTERBANK FIXING (11.00 a.m. MARCH 29)

3 months U.S. Dollars		6 months U.S. dollars	
bid 15 7/16	offer 15 9/16	bid 15 1/2	offer 15 5/8

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

EURO-CURRENCY INTEREST RATES (Market closing Rates)

Mar. 29	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	West German Mark	French Franc	Italian Lira	Belgian Franc Convertible	Japanese Yen
Short term	13-13¼	15¼-15½	16-17	3-4	1-1¼	9$\frac{1}{16}$-9$\frac{3}{16}$	20-35	18½-22½	10-12	9½-9¼
7 days' notice	13⅛-13½	15¼-15½	16-17	5-6	7-7¼	9$\frac{1}{16}$-9$\frac{3}{16}$	25-35	27-34	12¾-15¼	6-6¼
Month	13$\frac{7}{16}$-13$\frac{11}{16}$	15¼-15½	16½-16⅞	7$\frac{11}{16}$-7$\frac{13}{16}$	5⅛-5¼	9$\frac{1}{16}$-9$\frac{3}{16}$	30-34	20¼-30⅜	15½-18	6⅞-7
Three months	13⅝-13¾	15⅜-15⅝	16½-16⅞	8$\frac{1}{16}$-8$\frac{3}{16}$	5½-5⅝	9$\frac{1}{16}$-9$\frac{3}{16}$	24½-26	25⅜-26⅞	16⅜-17⅝	6$\frac{1}{16}$-6$\frac{3}{16}$
Six months	13⅝-13¾	15½-15¾	16½-16⅞	8$\frac{1}{16}$-8$\frac{3}{16}$	6¼-6⅜	9$\frac{1}{16}$-9⅜	21¼-22¼	24-24	16⅜-17⅝	6$\frac{1}{16}$-6$\frac{3}{16}$
One Year	13$\frac{11}{16}$-13$\frac{15}{16}$	15¼-15½	16$\frac{11}{16}$-17$\frac{1}{16}$	8$\frac{11}{16}$-8⅞	6⅛-6⅝	9$\frac{1}{16}$-9$\frac{3}{16}$	19½-20½	23⅜-24⅜	15¾-16¾	6⅞-7

BFr (financial): short-term 11-12 per cent; seven days' notice 12½-12⅞ per cent; one month 13$\frac{7}{16}$-13$\frac{11}{16}$ per cent; three months 14⅝-14⅞ per cent; six months 14⅝-14⅞ per cent; one year 14⅝-14⅞ per cent.

SDR linked deposits: one month 15⅛-15⅝ per cent; three months 14-14⅜ per cent; six months 13⅝-14 per cent; one year 13⅜-13¾ per cent.

ECU linked deposits: one month 17⅜-17¾ per cent; three months 14$\frac{23}{32}$-15$\frac{3}{32}$ per cent; six months 14⅛-14½ per cent; one yare 13⅝-14 per cent.

Asian $ (closing rates in Singapore): one month 15¼-15⅜ per cent; three months 15½-15⅝ per cent; six months 15$\frac{9}{16}$-15$\frac{11}{16}$ per cent; one year 15⅜-15½ per cent. Long-term Eurodollar two years 15⅜-15⅝ per cent; three years 15½-15¾ per cent; four years 15⅝-15⅞ per cent; five years 15⅝-15⅞ per cent nominal closing rates. Short-term rates are call for U.S. dollars, Canadian dollars and Japanese yen; others two days' notice.

The following rates were quoted for London dollar certificates of deposit: one month 14.95-15.05 per cent; three months 15.05-15.15 per cent; six months 15.15-15.25 per cent; one year 15.05-15.25 per cent.

MONEY MARKETS

Revised shortage

London clearing bank base lending rate 13 per cent (since March 12)

Interest rates showed little change in the London money market yesterday, but sentiment tended to improve later in the day as the Bank of England gave more than enough assistance to take out the underlying shortage of day-to-day credit.

In the morning the authorities forecast a shortage of £250m, but this was revised to £600m in the afternoon, reflecting a change in the expected figure of +£350m Exchequer transactions. The other major factor helping the market was a fall in the note circulation +£180m, but this was outweighed by bills maturing in official hands and a net take-up of Treasury bills —£304m, and the unwinding of repurchase agreements on bills —£502m.

The change in the expected amount of Exchequer transactions yesterday reflected volatile conditions near the end of the financial year, which can be expected to continue for the next few days.

The Bank of England bought £260m bank bills in band 2 (15-33 days maturity) at 13-13⅛ per cent in the morning, and gave further help of £389m in the afternoon, making a total of £649m. The afternoon help was by way of £2m bank bills in band 1 (up to 14 days maturity) at 13⅛ per cent; £154m bank bills in band 2 at 13-13⅛ per cent; £39m bank bills in band 3 (34-63 days) at 12$\frac{27}{32}$-12$\frac{29}{32}$ per cent; £75m Treasury bills in band 4 (64-91 days) at 12¾ per cent; £7m local authority bills in band 4 at 12¾ per cent; and £112m bank bills in band 4 (64-84 days) at 12¾ per cent.

In the interbank market fixed period rates were steady at 13⅝-13¾ per cent, but overnight funds fell sharply towards the close after the intervention by the authorities. The overnight rate opened at 13⅝-13¾ per cent, and fell to a low point of 5-6 per cent in the afternoon, before closing at 8-10 per cent.

Discount houses paid up to 13¼ per cent for secured call loans, but picked up late balances at 11 per cent.

In Paris call money remained at 18 per cent, helping to sustain the recent improvement of the French franc. In Frankfurt call money was also steady at 9.525 per cent, and the special Lombard rate was unchanged at 9.50 per cent.

GOLD

Weaker trend

Gold closed $4 an ounce lower than Friday's close in the London bullion market yesterday at $318½-319½. It opened at $318½-319½ and sank to a low of $317-318, with a high for the day of $320-321. Once again there was little confidence in the metal and trading remained very quiet.

In Frankfurt the 12½ kilo bar was fixed at DM 24,800 per kilo ($320.63 per ounce) against DM 24,970 ($323.74) on Friday and closed at $317-320 from $321-324.

In Paris the 12½ kilo bar was fixed at FFr 66,000 per kilo ($326.62 per ounce) in the afternoon, compared with FFr 66,000 ($326.88) in the morning and FFr 67,000 ($332.57) on Friday afternoon.

In Luxembourg the dollar per ounce equivalent of the 12½ kilo bar was $319.0 from $322.0 on Friday.

In Zurich gold colsed at $317-$318½ from $322-323.

	Mar. 29		Mar. 26	
Gold Bullion (fine ounce)				
Close	$318½-319½	(£178¾-179¼)	$322½-323½	(£180-181½)
Opening	$318½-319½	(£178-178½)	$321½-322½	(£180-180½)
Morning fixing	$319.50	(£179.042)	$322.75	(£180.661)
Afternoon fixing	$318.50	(£178.882)	$323.25	(£180.108)
Gold Coins				
Krugerrand	$329-330	(£184¾-185¼)	$333-333¾	(£186-186½)
1/2 Krugerrand	$169¼-170¼	(£95-95¾)	$171½-172½	(£95¾-96¼)
1/4 Krugerrand	$86-87	(£48¼-48¾)	$87-88	(£48½-49¼)
1/10 Krugerrand	$35-36	(£19¾-20¼)	$35½-36½	(£19¾-20¼)
Mapleleaf	$330-331	(£185½-186)	$334-335	(£186½-187)
New Sovereigns	$78-78½	(£43¾-44)	$79-79½	(£44-44¼)
King Sovereigns	$96-97	(£54-54½)	$96-97	(£53¾-54¼)
Victoria Sovs	$96-97	(£54-54½)	$96-97	(£53¾-54¼)
French 20s	$77-87	(£43¼-48¾)	$78½-88½	(£43¾-49½)
50 pesos Mexico	$394½-397½	(£221½-223¼)	$399-402	(£222¾-224½)
100 Cor. Austria	$309-311½	(£173½-175)	$313½-316	(£175-176½)
$20 Eagles	$445-450	(£250-252¾)	$447-452	(£249½-252½)

MONEY RATES

NEW YORK

Prime rate	16½
Fed. funds (lunch-time)	15½-15¾
Treasury bills (13-week)	13.32
Treasury bills (26-week)	13.24

GERMANY

Special Lombard	9.50
Overnight rate	9.525
One month	9.625
Three months	9.625
Six months	9.30

FRANCE

Intervention rate	17.0
Overnight rate	18.0
One month	17.3125
Three months	16.625
Six months	15.5625

JAPAN

Discount rate	5.50
Call (unconditional)	7.03125
Bill discount (three-month)	6.53125

LONDON MONEY RATES

Mar. 29 1982	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount Market Deposits	Treasury Bills ♦	Eligible Bank Bills ♦	Fine Trade Bills ♦
Overnight	—	8-13¾	13¼-13⅝	—	—	13-13⅝	11-13¼	—	—	—
2 days notice	—	—	13¾	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	13⅛-13¾	13¾	—	—	13⅝-13⅞	13½-13⅛	—	—	—
One month	13$\frac{19}{32}$-13$\frac{5}{8}$	13$\frac{11}{16}$-13$\frac{13}{16}$	13¾	14⅛-14⅛	13$\frac{11}{16}$	13¾-14	13	—	—	—
Two months	13$\frac{11}{16}$-13$\frac{13}{16}$	13$\frac{11}{16}$-13$\frac{13}{16}$	—	14¼-14	13¾	14	12¾	13$\frac{1}{32}$-13$\frac{1}{16}$	13⅛-13$\frac{1}{32}$	13⅞
Three months	13⅝-13½	13⅝-13¾	13⅝	14⅛-13⅞	13¾	14	12⅜-12½	12$\frac{27}{32}$-12$\frac{29}{32}$	12⅞	13½
Six months	13⅝-13$\frac{11}{16}$	13⅝-13¾	13⅝	13⅛-13	13¾	—	—	12$\frac{25}{32}$-12⅝	12⅝	13⅜
Nine months	13⅝-13$\frac{11}{16}$	13⅝-13¾	—	13⅞-13⅝	13¾	—	—	—	12⅝	13$\frac{1}{16}$
One year	13$\frac{9}{16}$-13$\frac{11}{16}$	13⅝-13¾	13⅝	13¾-13½	13¾	—	—	—	—	—
Two years	—	—	13⅞	—	—	—	—	—	—	—

Local authorities and finance houses seven days' notice, others seven days fixed. Long-term local authority mortgage rates nominally three years 14 per cent; four years 14¼ per cent; five years 14¼ per cent. ♦Bank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills 12$\frac{23}{32}$-12⅞ per cent; four months trade bills 13⅛ per cent.

Approximate selling rates for one month Treasury bills 12$\frac{15}{16}$-13 per cent; two months 12$\frac{15}{16}$-12⅞ per cent; three months 12⅞ per cent. Approximate selling rate for one month bank bills 13$\frac{1}{16}$ per cent; two months 12$\frac{15}{16}$-12⅞ per cent and three months 12½-12$\frac{9}{16}$ per cent; one month trade bills 13⅝ per cent; two months 13¼ per cent; three months 12⅞-12$\frac{23}{32}$ per cent.

Finance Houses Base Rates (published by the Finance Houses Association) 15 per cent from March 1 1982. Clearing Bank Deposit Rates for sums at seven days' notice 10-10¼ per cent. Clearing Bank Rates for lending 13 per cent. Treasury Bills: Average tender rates of discount 12.5132 per cent.

Certificates of Tax Deposits (Series 5) 13½ per cent from March 8. Deposits withdrawn for each 11 per cent.

BIDS AND DEALS

Green buying sauce maker

H. J. Green, the Brighton-based subsidiary of Pillsbury, the U.S. food and restaurant group, is acquiring the capital of Hammonds Sauce in a deal worth £2.4m.

Hammond of Shipley, West Yorkshire, produce a range of bottled and specialty sauces. Turnover in the last financial year was £5.56m with pre-tax profits of £256,000. The company has 229 employees and sales are concentrated mainly in the North.

Green's annual turnover this year is expected to be about £15m and it is one of the main UK manufacturers of cake, dessert and cheesecake mixes. Its factory is at Thurcroft, South Yorkshire and employs 340. Green reported a £13.19m turnover for the last financial year ending March 1981 with pre-tax profits of £755,000.

Both companies have discussed the takeover for the past six months. Mr Bruce Noble, the chairman and managing director of Green, is to become chairman of Hammond in succession to Mr Horace Hewley, whose father founded the business.

Mr Noble said the aim of the merger was to secure greater growth for both companies than could be achieved separately. The company was not looking for immediate rationalisation.

Green claims half of the UK cake mix market and 45 per cent of the cheesecake mix market, although most of the turnover is accounted for by dessert mix sales.

ELECTRA RISK VENTURES

Electra Risk Capital has made three further investments amounting to £425,000 under the Government's Business Start Up Scheme.

It has agreed in principle to subscribe up to £250,000 for 40 per cent of the equity of Venture Out, operator of business centres, £100,000 for 37½ per cent of Data Processing Installation a software marketing and distribution company, and £75,000 for 30 per cent of specialist medical equipment supplier, D.J. Colgate Medical of Windsor. Electra will be appointing its nominee to the boards of these companies.

SKETCHLEY EXTENDS

Sketchley has extended its $33 a share bid for Means Services Inc until April 4.

The anti-trust division of the U.S. Justice Department is investigating a rival $37 offer for Means from Ara Services Inc.

Pegler expands U.S. presence

Pegler Hattersley, the Doncaster-based building products and engineering group, has acquired PVC, a U.S. pipe, valve and fittings distribution company based in Louisiana for £3.7m.

The takeover also involves some additional payments related to profits of PVC up to March 1984, although these payments are not likely to exceed several hundred thousand pounds.

PVC's pre-tax profit for 1980/1981 was £700,000 on a turnover of £20m. Net assets, including a surplus on property revaluation, amounted to £3.4m. Although in terms of Pegler-Hattersley's overall size, the deal is relatively small, it represents a substantial increase in the group's U.S. presence.

Pegler's pre-tax profit last year was £10.9m on sales of £112.4m. The group has a U.S. subsidiary in California, but this is much smaller than PVC, with an annual turnover of £3½m. Pegler-Hattersley is one of the largest valve manufacturers in Europe and believes that it must look outside the UK for further expansion of its distribution network.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims—C. H. Beazer, Emess Lighting, Ferry Pickering.

Finals—APV, American Trust, Bambers Stores, Booker McConnell, British Aerospace, Cape Industries, Desoutter Brothers, Dreamland Electrical Appliances, Grampian Holdings, Home Counties Newspapers, House Property Co. of London, Kleinwort Benson Lonsdale, Lambert Howarth, H. and J. Quick, Reckitt and Colman, Spirax-Sarco Engineering, Standard Chartered Bank, Sterling Credit, Wolstenholme Rink.

FUTURE DATES

Interims:—	
Arenson	Apr 29
Australia and NZ Banking	May 17
New Central Witwatersrand	†Apr 8
Tyzack (W.) & Turner	Mar 31
Wankie Colliery	Apr 2
Finals:—	
Anglo American Invest. Trust	Apr 15
Breedon and Cloud Hill Lime	Apr 2
Christies International	Apr 6
Fothergill and Harvey	Apr 7
Gibbs and Dandy	Apr 2
Harris Queensway	Apr 21
Markheath Securities	Apr 1
Miller (F.) Textiles	Apr 23
Miller (Stanley)	Apr 2
Northern Engineering Inds.	Apr 13
Reed (Austin)	Apr 7
Thurgar Bardex	Apr 1
Trust Securities	Apr 1
Wilkes (James)	Apr 30
Wilkinson Warburton	Mar 31

† Amended.

HILL SAMUEL MERGER OFF

The proposed merger between Hill Samuel's 71.5 per cent-owned South African subsidiary and the unquoted trust company, Board of Executors and Fidelity Bank, has been called off, reports Thomas Sparks from Johannesburg.

The management of Hill Samuel's subsidiary declined to give specific reasons why the merger had been cancelled, but said that technical and operating problems became apparent during the negotiations and "proved insurmountable."

The merger would have resulted in a financial services group managing assets of R750m, and would have given Hill Samuel an entry into the leasing field.

ESTABLISHMENT PLAMBUIT REFUSAL

Establishment Plambuit, a Liechtenstein-registered company, has indicated that it does not intend to accept the £1.30 offer made by Societe Generale Holdings SA for the preference shares in Tanks Consolidated Investments.

The Liechtenstein company owns 19.87 per cent of the 1.48m 9 per cent cumulative preference shares. Stockbrokers Gittins and Company yesterday sent a letter on Plambuit's behalf explaining to other holders—in the language of a formal rejection document—why the company believes £1.30 to be an inadequate offer. The letter suggests "that it may be in your interests also" to reject the offer.

SIG moves into the red at halftime

CHANGES IN defence and public sector programmes were behind a turnround at Standard Industrial. Group from taxable profits of £10,000 to losses of £72,000 for the six months to December 31 1981.

The overall group, the directors say, is trading profitably and the year as a whole should show a small profit.

There is no interim dividend. The last payment was an interim of 0.9p for 1981. In the last full year taxable losses amounted to £240,609 on sales of £7.84m.

The group is involved in importing watches and clocks, and is making precision instruments.

The directors say that arbitrary changes in defence and public sector programmes resulted in deliveries being delayed beyond the first six months. This resulted in an unusually high inventory.

This has distorted profitability from the first half into the second, they say. The order book, however, has grown considerably.

The trading climate for horological products and electronic components has worsened, say the directors. Further cost cutting measures have been taken in these divisions.

Sales for the six months slipped from £4.13m to £3.41m. Trading profits were lower at £111,000, against £161,000. Interest rose from £151,000 to £183,000.

There was no charge for taxation (£5,000). Extraordinary debits were much lower at £68,000 (£204,000).

ROYAL STAFFORD

Royal Stafford China, the privately-owned vitrified ceramics and bone china manufacturer, has returned to profits. For 1981, its first full trading year since a management buy-out and merger of Royal Stafford Bone China and John Maddock & Sons, a profit before tax of £76,000 is reported on turnover of £1.18m.

In addition, Mr Martin Rosenhead, the chairman, says the first half of the current year has started well and turnover for the 12 months should reach £2m.

For the last full year of trading, aggregate turnover and losses of the two constituent companies were £3.15m and £500,000 respectively.

SHARE STAKES

David Scott Group — C. W. Bament and Sons has acquired 230,000 ordinary, making its total holding 960,000 (20.77 per cent).

W. H. Smith and Son (Holdings)—Director Mr S. M. Hornby is now a non-beneficial holder of 48,511 "B" ordinary shares.

Arthur Guinness and Sons—Director Simon Lennox-Boyd has increased his non-beneficial interest by 82,970 units.

Braid Group — BRP Securities, a subsidiary of Bajau, has acquired a further 52,500 ordinary, taking its holding to 660,000 (11.0 per cent).

Holyrood Rubber — Pegi (Singapore) holds 17,155 ordinary shares (19.9123 per cent).

Marks and Spencer—Michael M. Sacher, director, has ceased to be interested in 582,192 ordinary shares previously held as trustee. Simon J. Sacher, director, has ceased to be interested in 204,494 ordinary shares previously held as trustee.

Laing Properties—J. J. Beavis, director, sold 2,000 ordinary shares. He has a remaining holding of 16,234 shares.

Vectis Stone Group—Temple Bar Investment Trust's interest is now below 5 per cent, following a disposal of 250,000 ordinary shares.

London and Strathclyde Trust—Imperial Life Assurance Company of Canada has purchased 100,000 ordinary units. This increases holding to 3.33m units (23.11 per cent).

Lookers—Mrs Isabel Elliott, a member holding more than 5 per cent of the issue share capital has recently sold a total of 70,000 shares. With the sales she now holds 326,000 ordinary shares (less than 5 per cent).

Drake and Scull Holdings—Scottish American Investment has sold 75,000 shares, reducing holding to 1m shares (5.5 per cent).

Stoethert & Pitt—St. Georges Pension Fund holds 141,000 ordinary shares (5.48 per cent).

Stock Conversion and Investment Trust—J. Levy, director, as trustee of a charitable trust acquired 100,000 shares by way of gift on March 17. Total interest 4m shares as trustee except 2.7m.

Burton Group—On March 24 1982 36,000 ordinary shares were sold from a trust of which Mr Arnold J. Burton and Mr Raymond M. Burton are non-beneficial trustees.

Dewhurst Dent—Anglo-African Finance has acquired a further 25,000 ordinary shares at 8½p.

Standard Fireworks—Following transfer by deed of gift of 20,000 ordinary shares, the share holding (including beneficiaries) of Mr M. B. Greenhalgh, director, now stands at 201,282 shares (8.05 per cent).

INTERNATIONAL COMPANIES and FINANCE

Mexico confident of keeping foreign borrowing on target

BY PETER MONTAGNON IN CARTAGENA, COLUMBIA

MEXICO has managed to keep its massive 1982 foreign borrowing programme on target during the first quarter of this year, despite the traumatic devaluation of the peso in February.

Mr Angel Gurria, the Finance Ministry official responsible for co-ordinating public sector foreign borrowing, said here that first quarter foreign borrowings amounted to some $5bn out of the year's total requirement of $20bn.

But he added that this estimate includes the $1.2bn credit for the state development bank, Nafinsa, for which syndication will only be completed in the second quarter, as well as a DM 400m ($166m) credit mandated last year but syndicated early this year.

Two other Eurocredits in the first quarter — $400m for the agriculture bank, Banrural, and $2bn for the state oil concern, Pemex — produced a total of about $3.8bn, from the syndicated credit market, he said.

Mexican public-sector entities also raised about $750m in the international bond, private placement and certificate of deposit markets, as well as some $500m in supplier credits and loans from multilateral development banks.

The successful outcome of the first-quarter borrowing programme led Mr Gurria to an optimistic assessment of the outlook for the year as a whole. Borrowing needs, which might be slightly less than anticipated earlier because of the benefit of devaluation to the balance of payments, should be met, despite generally rather difficult market conditions.

Commercial bankers attending the Inter-American Development Bank annual meeting here, however, were rather more cautious. Several said that Mexico might have difficulty keeping up such a heavy pace of borrowing without a further increase in margins — currently close to 1 per cent — paid on medium-term credits.

Two indications of the struggle confronting Mexico in the international capital markets were the short-term nature of its bank borrowings and the high coupons—over 17 per cent—it is prepared to pay in the Eurobond market. A year ago, Mexico would never have contemplated raising fixed interest money at such a rate, they said.

It would not be easy for any borrower to raise two jumbo credits a quarter on a regular basis. Yet Mexico has done just this in the first quarter of this year.

Mr Gurria said that borrowing through such large credits would not necessarily continue.

Schlitz attracts new bid of $470m

By David Lascelles in New York

SCHLITZ, the large U.S. brewer, has received another takeover bid—its third in nine months.

Stroh Brewing, a large regional brewer based in Detroit, yesterday announced a deal that places a value of about $470m on Schlitz. It consists of a $16 a share offer for about two-thirds of Schlitz, to be followed by a merger in which the rest of the shares will be bought on the same terms.

Schlitz, which was apparently caught by surprise by the bid, had no immediate comment. Schlitz shares have recently been trading around $13.50.

The main question raised by Stroh's bid is whether it will encounter the same antitrust problems that prevented Schlitz merging last year. Two other large brewers, Pabst and Heileman offered respectively $17 and $20 a share. The Heileman bid was accepted because of its more favourable structure. But the Justice Department warned that it would sue on anti-trust grounds if it went ahead.

Stroh stands a better chance than Heileman because it is smaller, and a combination of its markets with Schlitz's might not overstep the guidelines that the Justice Department uses to gauge anti-competitive mergers. While Heileman is No. 4 in the brewing league with a market share of about 8 per cent, Stroh is No. 7 with about 5 per cent. Schlitz is No. 3 with 8 per cent.

Schlitz has been vulnerable to takeover for some time because of its weakening market position but large financial holdings, including almost $200m in cash. Last year it incurred a loss of $30.6m on sales of $1bn, mainly because of a $23m charge against earnings to cover closure of a brewery in Milwaukee, its home town.

Banamex profits surge

MEXICO's second largest private bank, Banco Nacional de Mexico (Banamex), has reported a 4.1bn peso ($157.6m) net profit for 1981—a 38.6 per cent increase, writes William Chislett.

Total assets rose by 48 per cent to 449.7bn pesos and deposits totalled 350bn pesos. Banamex's share of the market declined slightly to 23.39 per cent, but its brokerage house maintained its number one position, with 22.8 per cent of share trading.

The bank's credit portfolio grew by 80bn pesos for a total of 248.1bn pesos. A cash dividend of 15 pesos a share is to be paid.

Ian Hargreaves on why the world's leading soft drinks group bid for Columbia Pictures

Why Coca-Cola chose motion pictures

COKE IS IT! These three words are the Coca-Cola company's latest carefully wrought message in its remarkably successful dialogue with the American consumer.

But the theme, which replaces "have a Coke and a smile" and before that the "real thing" campaign, is more than just a slogan to back the world's most successful fizzy drink, according to Mr Roberto Goizueta, Coke's chairman.

Its aim, he explained, was also to deliver a corporate message about the Atlanta-based company: "In three simple words it tells what this company is about.

"We're going to be getting into other businesses, but we have to tell the world that first and foremost, the Coca-Cola company is in soft drinks, and that Coke is the product at the centre of that."

This apologia, of course, is a direct response to the rumpus created in parts of Wall Street by the $765m Coke bid in January for Columbia Pictures. Some analysts felt it was too high. It also took Coke into riskier territory which diluted its attractions as a stable but high-growth stock.

The most surprising thing about this reaction, says Mr Goizueta, was the analysts' surprise. More than 18 months previously, the company had published a brief strategy statement, a "road map" as Goizueta calls it, setting out the company's major goals.

The main objective, the statement said, was to grow more quickly than inflation, an objective to be achieved by tighter control of return on assets and by acquisition in either the foods, health care of entertainment business.

As these objectives were further refined, the diversification strategy centred itself upon a checklist of three points:

● The target must not involve high technology.

● Must not require heavy capital investment in plant; must be capable of rapid internal growth without that growth requiring dramatic improvement in basic market share.

Health care, when examined more closely, fell foul of the technology stipulation, and Coke simply could not find food companies it felt had profit margin potential as good as its own drinks business.

"I dare anyone to name any industry which has those characteristics other than the entertainment industry," Mr Goizueta said.

Because demand for films was growing in the cable television video explosion, Coke concluded that a film maker was the best way of getting into the entertainment field.

It looked at the three most stable and successful film companies, and found Paramount tucked away inside the Gulf and Western conglomerate and Warner Brothers at the core of Warner Communications, a company whose acquisition would have "changed the character of the Coca-Cola company," Mr Goizueta said.

That left Columbia, where Goizueta had fellow-Yale contacts and whose New York-based management style he admired. Columbia had also, inspite of the distractions of the Kirk Kerkorian takeover bid, managed to dip its toe into the water of broadcasting, video and other components of the home entertainment revolution that Coke sees at the centre of Columbia's purpose in the 1980s.

This, however, does not answer the equally important question of what Coca-Cola will bring to Columbia, other than one of the strongest blue-chip balance sheets in corporate America. Earlier this month, Coca-Cola reported net earnings for last year of $481.78m against $442.1m on sales up from $5.62bn to $5.89bn.

"We seem to be fairly good at being in tune with emerging

Mr Roberto Goizueta with workers at Coca-Cola's Peking plant opened last year.

lifestyles," Mr Goizueta said, clearly enjoying the sense of understatement. He also thought that Coke's unrivalled global network of bottlers—all of them independent, locally-owned businesses — would, allied to Coke's positive image, help Columbia to sell its wares outside the U.S.

Columbia's first quarter net earnings for this year slipped from $16.8m to $10.3m or $1.27 a share, but the company is expecting a healthier second quarter.

Before the May shareholders' meeting at which Coke's shareholders are expected to approve the Columbia purchase, Mr Goizueta is reluctant to be too specific about his plans for Columbia.

But in general, he makes the point that films are expensive to make (Columbia's average cost is $10m to $13m), but are "under promoted and under merchandised." Apart from the most expensive, like Columbia's forthcoming $40m Annie, "they just put an ad in the paper and don't even do much research to see how the ad should be."

There should be some marketing link between soft drinks and arcade games. Columbia owns the Gottlieb pinball machine company, which is about to produce belatedly its first video game.

But there are two things Mr Goizueta does not intend to do: put Coke's resources directly into film making or allow his Atlanta executives to get mixed up in film project selection.

So far as financing films went, Columbia would be allowed to go ahead with its planned Delphi partnership. This would follow a model adopted by MGM-Film and others to secure private investor backing for half the company's production costs. It would also enable Columbia to set up production from a maximum of 12 to a maximum of 18 films a year.

The second warning sign reflects in part the unhappy experience of Transamerica, the Californian conglomerate, with United Artists, which Transamerica sold at a loss to MGM last year after the box-office disaster of Heaven's Gate.

For Coke people to start reading scripts and choosing projects, said Mr Goizueta, would be "like telling the wine master of Sterling Vinyards (a Coke subsidiary) 'don't pick that grape now, pick it later'." Columbia would get a production budget from Atlanta, but not much more.

The wine analogy is something Mr Goizueta uses frequently to defend his decision to buy Columbia, because the decision to go into wine was, in its time, equally controversial. In both cases the diversification was part of a clear strategy.

"We feel very strongly that this decade, more and more activity will revolve around the home and that is the way we view Columbia," he said. Films would be to the cable-video boom what Coca-Cola syrup was to Coke's soft drinks business: a basic and profitable raw material.

Mr Goizueta said that Coke's biggest challenge with Columbia would be to maintain a level of quality in production comparable with its efforts in the soft drinks business. "The aim is not to have a smash hit, but to avoid having a miss-hit that smashes you."

If Mr Goizueta makes it all sound easy, that is certainly by design. With so much shareholder uneasiness, he is naturally concerned to liken the potential volatility in a film company's earnings with the more geographically volatile parts of Coke's drinks business and to stress constantly how small (at one tenth Coke's size) Columbia is and will remain in the corporate context of Coca-Cola.

He agreed that in the next four years it would be difficult to read which way the video revolution was heading. During that time, a software producer like Columbia would have to be sharp and to keep its options open.

But for the excellence of the basic product, he had no doubts. As he said: "Unlike Detroit, Hollywood has found a product which the Japanese have yet to improve on."

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. For further details of these or other bonds see the complete list of Eurobond prices which will be published next on Thursday April 15.

Closing prices on March 29

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Average price changes... On day −0¼ on week −0⅞

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Average price changes... On day −0¼ on week +0¼

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Average price changes... On day −0¼ on week 0

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Average price changes... On day −0¼ on week +0¼

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Average price changes... On day −0⅛ on week −0⅛

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

* No information available—previous day's price.

† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate († three-month; § above mean rate) for U.S. dollars. C.cpn=The current coupon. C.yld=The current yield.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Ecuador in talks for $500m credit

By Our Euromarkets Staff

ECUADOR IS sounding out the Eurocredit market for a least $500m of short-term money. Bankers report that no official mandates have been awarded, but discussions have been held with Ecuadorian Government officials. One part of the country's needs is said to concern import finance.

In London meanwhile, Pemex, the Mexican State oil group, is trying to put together a short-term credit for around $200m. Banco Nacional de Mexico (Banamex) is understood to be involved.

In Europe, a six-bank management group has now been formed for the $300m eight-year credit for ENEL, Italy's electric utility. The group, led by Deutsche Bank and Bank of Tokyo, include Banco di Roma, Bank of Nova Scotia, Midland Bank and Sumitomo Bank.

On the other side of the world the State of Papua New Guinea is understood to be sounding out bankers on a prospective $100m credit.

Lower opening period seen at 3M

By Our Financial Staff

LOWER FIRST quarter earnings are expected from Minnesota, Mining and Manufacturing (3M), the highly diversified U.S. group, accordg to Mr Lewis W. Lehr, the chairman.

He blames the decline on a combination of economic conditions and currency effects.

Earnings in the first quarter of 1981 totalled $168.9m or $1.44 a share.

On a more optimistic note, however, Mr Lehr says that with the forecast for worldwide economic recovery, an earnings gain on 1981's total of $678.3m or $5.74 a share is attainable.

Mr Lehr said that in order to attain higher profits in 1982, the company will need to raise its prices, increase unit volume and register productivity gains. Lower inflation in the U.S. and 3M's recent restructuring and new programmes will improve the group's efficiency and performance.

International operations, which last year recorded unit volume gains of 10 per cent and are becoming more important in the countries where they are located, should provide further benefits for 3M.

New products developed by the group, including a drug to treat irregular heartbeat and a transparent skin dressing for wounds, are also confidently expected to help future results.

● Abitibi-Price, the world's largest newsprint producer, expects operating earnings in 1982 to trail 1981's C$123.6m or C$5.57 a share, the company said in its annual report, AP-DJ reports from Toronto. Weak markets will characterise most of 1982, the company said. Lower shipments and operating rates are expected for newsprint. In addition markets for groundwood papers will weaken but will permit a healthy level of operations.

$110m Eurobonds launched as prices fall

BY ALAN FRIEDMAN

A TOTAL of $110m of fixed-interest Eurodollar bonds were launched yesterday as prices of new and seasoned bonds fell on average by ½ to ¾ point.

The market is becoming increasingly nervous. Yesterday was characterised by light trading volume and professional selling of paper. Several dealers noted that a digestion problem is developing as new issues come steadily to market.

Of the two new issues yesterday, the first seemed to meet with a fairly enthusiastic reception despite the poor market. This was the $50m three-year 15 per cent issue for Natomas, the California-based energy group, through Morgan Guaranty, Swiss Bank Corporation and Salomon Brothers. Each bond provides two warrants to buy 15¼ per cent 1989 paper.

The warrants, which could raise another $100m for Natomas, seemed to have considerable appeal and the bonds, with warrants, were quoted at 99½ to par in the pre-market.

South Carolina Electric and Gas, meanwhile, is seeking $60m through the issue of seven-year bonds carrying a 15½ per cent indicated coupon. Kidder Peabody is lead-manager.

In the Canadian dollar sector, Credit Foncier Canada, the Quebec-based mortgage group, is raising C$30m with seven-year bonds through Credit Suisse First Boston and Societe Generale de Banque (Belgium). The Triple B/Single A paper carries a hefty 17½ per cent coupon.

In the sterling sector there are strong rumours that a bulldog bond is about to be launched for Credit Foncier de France, the French state property finance group. Morgan Grenfell and County Bank are said to be at work on a deal of up to £50m.

Pemex, the Mexican state oil company, is in the Eurosterling sector this week with a £30m bond issue bearing a 16½ per cent coupon. The five-year paper, through Hambros Bank and Swiss Bank Corporation, provides a full 100 basis point pick-up compared to the recent five-year £35m issue for Quebec.

The differential is not surprising however, considering the current difficulties in selling Mexican paper.

From Paris comes word that the $400m package for Caisse National des Telecommunications (CNT) is being increased to $350m. Societe Generale says the $200m credit at ½ per cent above London interbank offered rate (Libor) is being raised to $275b and the $200m floating rate notes at ½ point above Libor is also up to $275m.

● With the 1982 meeting of the Association of International Bond Dealers (AIBD) drawing near, it has now been learned that there will be 28 candidates standing for the 17 AIBD board seats available. The eight board members not standing for re-election in June are Mr Rupert Hambro, Mr Bob Smith, Herr Walter Koller, Herr Fritz Rieder, Sig Adriano Calvo, Herr Wolfgang Kron, Herr Peter Ganschinietz and M Jean Louvet.

Danish shipping line lifts earnings

By Hilary Barnes in Copenhagen

LAURITZEN, the Danish shipping and oil exploration group reports an increase in comparable earnings before tax from DKr 190m to DKr 292m ($35m) for 1981, attributing the "satisfactory" result to its reefer and off-shore operations.

The group operates six oil drilling rigs and is a partner with P & O in Lauritzen Peninsular Reefers which has a combined fleet of about 50 refrigerated vessels. High interest payments had had a negative influence on earnings, but this was "more than offset" by foreign exchange gains.

The company's gross operating profit was up from DKr 324m to DKr 514m and earnings before depreciation increased from DKr 249m to DKr 371m.

Shipping earnings are expected to increase again in 1982 despite heavy capital spending.

Last year the fleet increased by nine units at a purchase price aggregating close to DKr 1.9bn, marking a new phase of expansion.

The accounts for the full Lauritzen group, including shipbuilding and manufacturing interests, are due to be published on Thursday.

Banks deal for Wienerwald

By John Wicks in Zurich

WIENERWALD, the Swiss-based restaurant and hotel concern, has reached agreement with its banks over debt totalling about DM 260m ($109m). The banks, which are understood to have held talks in Zurich at the invitation of Swiss Bank Corporation, are to continue to put existing lines of credit at Wienerwald's disposal.

An unspecified amount of "additional liquid aid"—believed not to exceed DM 30m—has been granted to the company from the personal funds of the owner and founder, Mr Friedrich Jahn, and by the banks.

Wienerwald's debt, about one-third of which short term, is being used mainly to finance the re-organisation of the two U.S. restaurant chains, International House of Pancakes and Lums, and the launching of the West German travel agency, Jahn-Reisen.

Polish crisis hampers trading at Kloeckner

BY JONATHAN CARR IN BONN

PRE-TAX PROFITS of Kloeckner and Co. the West German trading concern, fell by 11 per cent last year to DM 40m ($16.6m) from DM 45m in 1980, with nearly all sectors of activity involved in the set-back.

However, the company said yesterday that, barring unforeseen political difficulties, it hoped to hold its profits this year at around the 1981 level.

Among those parts of Kloeckner's international trading subject to political disturbance are coal and industrial plant. Kloeckner takes coal from Poland and has a large industrial plant business with the Comecon countries.

Turnover of Kloeckner's domestic group companies increased to DM 10.1bn from DM 9.5bn in 1980, while sales of the non-consolidated subsidiaries abroad rose by 3 per cent to DM 1.5bn.

Kloeckner says international steel trading activities held up relatively well, but sales of construction materials and coal were weak on a depressed domestic market.

The political uncertainties in Poland had brought a burst of intensive international coal trading last year by customers fearing shortages. But Kloeckner said Poland was now delivering normally again, indeed there had been a temporary coal surplus—intensified by the depressed state of the steel industry and the consequent lack of demand for coking coal.

The main bright spot in Kloeckner's results remains its international plant business, notably with Iraq and south-east Asia as well as Eastern Europe. Orders in hand at the end of 1981 totalled DM 3.4bn. A further DM 770m worth of orders had been gained in the first quarter of 1982.

Price controls hit French Esso

BY DAVID WHITE IN PARIS

EXXON'S French subsidiary, Esso SAF, has joined the chorus of oil companies clamouring for a more favourable pricing system after announcing a drop in its profits for last year.

Net earnings fell to FFr 242m ($39m) from FFr 266m and the company would have broken even if it were not for its profitable exploration and production off-shoot.

Own refining and distribution showed an operating loss of FFr 1.14bn, compared with a surplus of FFr 125m in 1980.

Maximum prices set by the French Government reflected the increase in the cost of dollar-denominated crude purchases inadequately and too late, Esso said.

Its refineries lost money despite the fact that a large proportion of the incoming crude was bought from Saudi Arabia at relatively low prices during the first nine months of the year.

The Government is due to launch a new price calculation system next month for oil products. Esso said that a more "realistic" system was imperative if the industry was to face up to the cost of adapting refining and distribution facilities to the current lower demand.

Final accounts on refining and distribution showed neither profit nor loss. An inventory gain of FFr 2.2bn was offset by the operating loss and by a FFr 1.06bn provision for currency fluctuations.

The company decided to pay the same dividend of FFr 20 per share.

Strong liquidity boosts HAL profit at net level

BY CHARLES BATCHELOR IN AMSTERDAM

A DOWNTURN in the cruise activities of Holland America Line Trust (HAL), the Dutch shipping and trading company, reduced its operating earnings in 1981, but higher interest earnings, drawings on provisions, and currency movements led to a sharp improvement at the net level.

Operating profits fell to only $3.6m from $13.2m on turnover 5 per cent lower at $317m. The economic recession and increased competition put pressure on HAL's cruise activities.

Net profit increased by 70 per cent to $18.2m, excluding the $29.5m insurance payment resulting from the loss of the Prinsendam. Net profit per share rose $42, excluding the insurance payment, from $25 the year before. HAL proposes increasing its dividend to $15 per share from $10.

HAL said it will be difficult to match last year's result in 1982, excluding the book profit of around $19m expected from the sale of another of its vessels, the Statendam, to a group of investors.

The tourism division faces growing competition while the economic recession in Europe will make it difficult for the trading division to improve last year's result to any great extent. The company's strong liquidity position will however mean it will profit from high rates of interest. HAL, an old-established Dutch cruise line, moved its managing board headquarters to Stanford, Connecticut, in 1977.

Extraordinary losses depress Elsevier result

By Our Amsterdam Correspondent

ELSEVIER-NDU, the Dutch publishing group, slightly increased its operating profit in 1981, but losses sustained on the liquidation of some parts of its business and the sale of subsidiaries led to a marginally lower net result.

Operating profit rose by 5 per cent to Fl 73.6m ($28m) on turnover 1 per cent higher at Fl 1.33bn ($503m).

Despite a slightly lower tax charge of Fl 8.7m and a reduction in the net interest charge, net profit was Fl 200,000 lower at Fl 40.4m. This was largely the result of extraordinary losses of Fl 7.8m (compared with the previous year's profit of Fl 300,000) resulting from liquidations and disposals.

Michael Donne on the Saab-Fairchild project

Swedish-U.S. push for slice of the commuter jet market

THE FIRST parts of a major new joint Swedish-American airliner are now beginning to come together in a new assembly hall alongside the airfield at Linköping in Sweden. The first aircraft is on schedule for roll-out next November.

This is the Saab-Fairchild 340, a twin-engined, 34-seat pressurised airliner, designed and built jointly by Saab-Scania of Sweden and Fairchild Industries of the U.S., in a $1bn attempt to capture a major share of the world's growing markets for short-haul, quiet and economical "commuter" or "feeder" airliners.

Although Saab-Scania has undertaken much of the initial development work, and will undertake the final assembly and test flying at Linköping, it is broadly a 50-50 effort, with the production and marketing being shared. Saab-Scania is building the fuselage, the flight deck and the central systems, while Fairchild Industries is building the wings, engine nacelles and tail unit.

The two turbo-prop engines will be U.S. General Electric CT7-5s, chosen for quietness and fuel efficiency, but other companies are also participating. Dowty Group of the UK, for example, is providing the propellers, while other UK companies may supply parts and items of equipment.

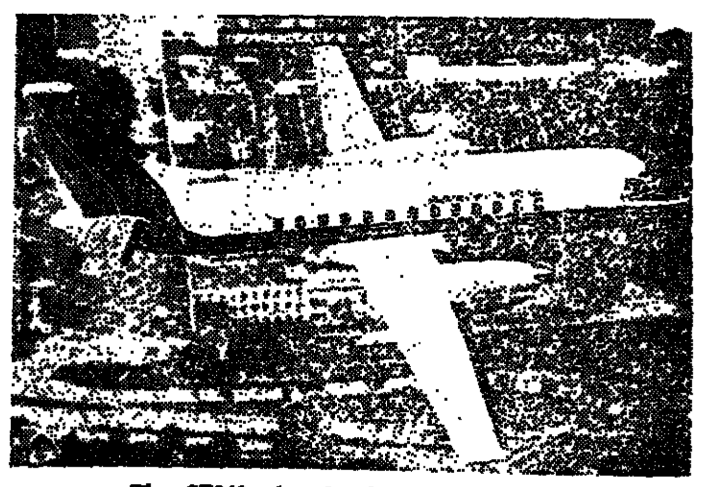
The market for this type of airliner is already substantial, and is growing, despite the recession which has damped down sales in recent months. In the U.S., there has already emerged a substantial interest in small, economical, quiet feederliners, linking remote communities together and with bigger, nearby cities and airports.

Outside the U.S., interest in this type of aircraft — broadly in the 20-to-40-seat category — has also been expanding in Western Europe and the UK.

It is now estimated that there are more than 20 different manufacturers involved worldwide in designing or building aircraft of varying sizes to meet the likely demand.

The estimates of the eventual market vary, but 2,000 aircraft sold by the mid-1990s, worth some $10bn, is not regarded as unreasonable by the manufacturers.

The big advantage in this type of aircraft is that they are comparatively cheap — a price of about $5m per aircraft is the top end of the market, and Saab-Fairchild expects to sell the 340 at about $4.75m in November 1981 prices.



The SF340: due for November roll-out.

The Saab-Fairchild 340's major competition comes from four other manufacturers. They include de Havilland Aircraft of Canada with the Dash Eight, of about 36 seats; the Brasilia from Ebmraer of Brazil, a 30-plus seater; and the new joint Aerospatiale (France) and Aeritalia (Italy) ATR-42, of 42-plus seats—all of which are still under development.

The fourth manufacturer is Short Brothers of Belfast, which has followed up its highly successful wide-bodied 330 with the new, bigger, 360, which is already flying and which therefore has a distinct advantage over its rivals. Nevertheless, the competition is fierce, and Shorts is maintaining a high level of marketing to ensure that it retains its advantage.

But the market ought to be big enough for all of them. Saab-Fairchild, the company set up to run the 340 venture, itself believes that is can win at least 20 per cent of it, or at least 400 aircraft, and it is setting its sights on a break-even of about 200 aircraft delivered.

Orders and options already held for the 340 cover 111 aircraft, of which about three-quarters are said to be firm, with about half the total order book coming from the U.S.

Since most of the other manufacturers also claim a substantial volume of orders and options, it is clear that there is some measure of duplication by prospective operators in making their choices, and some shake-out of these order books is likely to take place over the next year or two.

But despite this, the feeling nevertheless is that there will be plenty of scope for all the commuter-liner builders, once the recession is over and air transport expansion is resumed, even if at a much lower annual growth rate than prevailed in the mid to late 1970s—say, 5 to 6 per cent against 10 per cent originally.

The overall market estimates only cover the commercial scene, and take no account of potential military procurement. This, it is believed, could also be substantial. Every air force in the world, both in the mature and the developing countries, requires light transport aircraft for communications and other duties, such as air ambulances, and it would be surprising if through the 1980s several hundred such aircraft were not ordered worldwide.

So far, however, most manufacturers, including Saab-Fairchild, are not counting on such military sales, but measure the likely success of their ventures solely upon what they can win in the civil market—any military sales coming as a bonus.

Already, about 1,400 workers are involved in the Saab-Fairchild 340 development programme on both sides of the Atlantic. After November's roll-out, the first flight will be early in 1983, followed by an extensive flight test programme and first deliveries to customers in early 1984.

By then, the other aircraft also now on the stocks will be emerging, and all the signs are that a major sales battle is getting under way for what could become one of the biggest single airliner markets of the 1980s.

Marui just ahead despite weak consumer spending

BY YOKO SHIBATA IN TOKYO

MARUI, the Japanese retailer specialising in credit sales, has lifted its consolidated net earnings for the year ended January by 3.6 per cent to Y9.19bn ($37.5m) on an 8.2 per cent rise in sales to Y266.13bn ($1.09bn).

Consolidated net per share was Y54.64 against Y59.98 a year earlier, reflecting a share issue in 1981. The company declared a dividend of Y13 a share against Y15 a year ago.

One reason for the growth in earnings despite weak consumer spending was increased efficiency at its stores, the company said.

It also benefited from a personal loan business it started during the year, following on from the travel loan service it began in 1980.

Personal loans reached Y22.6bn in 1981, double the original target, and are expected to reach Y50bn this year. The fast growth is attributed to the company's credit card expertise and convenient store locations and hours of business.

Capital spending totalled Y11.2bn last year against Y14.59bn a year earlier, but it is expected to rise to Y19bn this year with the opening of two new stores and the expansion of others.

The company plans to issue 22m shares in May to help meet the higher outlay.

Marui expects that a sizeable contribution from its personal loan business will help it lift consolidated net earnings by 8.8 per cent this year to Y10bn on a 7.8 per cent increase in sales to Y287bn. Pre-tax profits are expected to rise by 5 per cent to Y21.3bn from Y20.28bn.

First Pacific assets reshuffled

BY ROBERT COTTRELL IN HONG KONG

THE FIRST PACIFIC group, which is controlled by a group of Indonesian investors, is to take over Shanghai Land, a quoted Hong Kong company, which will then act as a new holding company for the 80 per cent stake the group recently acquired in Hibernia Bank of California.

Hibernia has total assets of about US$920m and operates 35 offices in the San Francisco area. The purchase of the majority stake is still subject to U.S. regulatory approval.

The Indonesian investors, called the Liem group, also have a major shareholding in Overseas Union Finance, a Hong Kong registered deposit-taker with total assets of more than HK$800m (US$133m).

OUF is to be renamed First Pacific Finance and the Liem holding in it is to be injected into Shanghai Land.

The investors intend Shanghai Land to be the principal financial asset holding company for the First Pacific group and for Shanghai Land to acquire other institutions in Hong Kong and the Asia-Pacific region.

In the first step in the takeover of Shanghai Land, First Pacific incorporated a new company, First Pacific Investments. FPI will inject HK$10.3m of quoted securities into Shanghai Land in exchange for 1.9m SL shares.

The SL board has already received irrevocable acceptances for a takeover offer from First Pacific. Those shares plus the 1.9m new SL shares give First Pacific 50 per cent of SL's capital. First Pacific will make a general offer for the rest at HK$15 a share.

Simultaneously with the First Pacific announcement, Shanghai Land announced net profits of HK$1.4m for 1981.

Promet exceeds profits forecast

By Wong Sulong in Kuala Lumpur

PROMET, the oil rig builder and construction group operating in Malaysia and Singapore has reported pre-tax profits of 42m ringgit (US$18m) for the year ended December, compared with its earlier forecast of 35.6m ringgit and a pre-tax loss of 1.7m ringgit for 1980. After-tax profits for 1981 were 28.7m ringgit.

No dividend is being paid as Promet still has large accumulated losses from previous years. The bulk of 1981 profits came from the marine engineering and oil-rig building business, which had a buoyant year.

Until 18 months ago, Promet was the loss-making Bovis South-east Asia company. It was taken over by Mr Brian Chang of Singapore and Dato Ibrahim Mohamed, and was renamed Promet, after it had acquired Mr Chang's oil rig business in a share-exchange deal last May.

Since then, Promet has been expanding rapidly, in the marine fabrication and property fields, with Mr Chang handling the Singapore-based marine fabrication side of the business, and Dato Ibrahim looking after the Malaysian property side.

Recently, Promet acquired 500 acres in the state of Johore and has begun the construction of a second marine yard, to relieve congestion at its Singapore yard.

Government loan for Air New Zealand

By Dai Hayward in Wellington

AIR NEW ZEALAND, the national flag carrier, is to receive a NZ$50m loan from the Government to improve its financial position.

The government-owned airline expects to report a loss of between NZ$90m and NZ$100m (US$77.5m) for fiscal 1981-82 against a loss of NZ$30.8m on revenues of NZ$557.2m a year earlier.

The subordinated loan will carry an interest rate of 14 per cent but may be converted into shares when details of the airline's recovery programme are worked out, Mr Robert Muldoon, the Prime Minister, said.

A firm of U.S. management consultants has been retained to investigate the airline's problems. Last year's results were hard hit by soaring fuel costs and a sharp fall in charter revenues.

Foreign currency deposits rise at Bank Hapoalim

BY L. DANIEL IN TEL AVIV

CONSOLIDATED net profits of Bank Hapoalim, the Israel banking group controlled by the Federation of Labour, exceeded the U.S.$ 100m mark for the first time in 1981, with an 18.7 per cent rise to $102.1m, calculated at the December 31 rate of 15.604 shekels to the dollar. The shekel now stands at about 19 to the dollar.

The consolidated balance sheet at $19.1bn was up 12.1 per cent. Of the bank's deposits, both in Israel and abroad, 48 per cent were in foreign currency last year, compared with 45 per cent in 1980, as more local residents opened foreign currency accounts and operations abroad expanded.

The group expanded its capital base by two public offerings on the Tel Aviv Stock Exchange last year, as wel as by a $50m offering on the Eurodollar market.

The board is to recommend a 100 per cent scrip issue (compared with a 65 per cent issue in 1980), and unchanged cash dividends of 12.5 per cent on ordinary shares and 15.5 per cent on ordinary preference shares.

Mr Giora Gazit, the chairman said the bank had not been hit by the recession in the local diamond industry, and its substantial commitments in the construction field were fully covered by liquid collateral on all loans.

He said the extent of Government control over provident funds and savings schemes enables the authorities to limit not only short-term credit but also medium- and long-term credit. This required the banks to charge a real interest rate of 30 per cent (not taking into account inflation) and this might lead to a recession, Mr Gazit warned.

Kirsh to reorganise insurance side

By Thomas Sparks in Johannesburg

EXTREMELY poor conditions in the South African short-term insurance industry have led Kirsh Industries to accelerate the merger of its Constantia Insurance and AA Mutual subsidiaries and to plan the complete reorganisation of its entire insurance activities.

Constantia beat other insurance companies last July in a R13m ($12.5m) bid for AA Mutual. A merger of the two companies was expected by the management to result in an improvement in Constantia's operations, particularly as the year ended March 31 1981 had resulted in a pre-tax loss of R174,000.

Following the acquisition of AA Mutual, Constantia ceased to be quoted directly on the Johannesburg Stock Exchange last November and became a wholly-owned subsidiary of a newly-quoted company, Consure Insurance Holdings. The management of Consure now reports that the underwriting and investment income of Constantia will be inadequate to ensure a profit for the year to March 31, 1982. To protect Consure's shareholders' interests, Constantia is to sell the goodwill arising from its insurance business to AA Mutual with effect from May 1 for R858,000.

It is also proposed that Consure sell its interest in Constantia to unquoted Kirsh industries for R2.33m. Once these transactions are completed Consure will be a cash shell with assets of 55.3 cents a share.

Extension to NZ smelter proposed

WELLINGTON—Sumitomo Aluminium Smelting Company and Showa Denko have told the New Zealand government of proposals to extend the Tiwai Point aluminium smelter, if competing interests fail with plans for a second smelter.

The Japanese companies have a half share in the New Zealand Aluminium Smelter plant which now operates three potlines. They want to add two more but electricity for the expansion will be available only if a smelter at Aramoana is not developed.

Last year Fletcher-Challenge put together a proposal for this smelter with Alusuisse and Gove Aluminium, a subsidiary of CSR, as its partners. But Alusuisse withdrew and last week a possible alternative partner, Kaiser Aluminium and Chemical also pulled out of major aspects of the project. Reuter

NEW YORK

Easier early Wall Street bias

A SLIGHTLY easier tendency prevailed on Wall Street yesterday morning, with investors continuing to worry about large U.S. budget deficits, recession and high interest rates.

The Dow Jones Industrial Average, after last Friday's fall of 9.71, managed to edge up 0.67 to 818.59 at 1 pm, but the NYSE All Common Index declined 13 cents more to $64.40. Falls outscored gains by a six-to-five margin after a moderate volume of 24.73m shares, well below Friday's 1 pm level of 32.31m.

Bankers Trust raised its broker loan rate, which often signals changes in the Prime Rate, to 15¾ per cent from 14¾.

On the actives list, Upjohn receded 1⅞ to $45¼ and G. D. Searle 1½ to $32⅛.

Bankamerica, Boeing, Deere and Sony surrendered fractions in brisk trading, but Exxon pointed slightly higher.

Less active Tesoro Petroleum rose $1 to $21½. Texas Instruments also added a point to $79⅞, while Teledyne put on 1½ to $117½.

Bandhag, which plans to repurchase up to 1.25m shares, firmed ⅜ to $25⅞.

Chrysler dipped ⅛ to $4⅞. It has extended its $300 to $2,000 rebates on new cars to April 10 from March 31.

THE AMERICAN SE Market Value Index shed 0.34 to 259.86 at 1 pm on volume of 2.27m shares (2.41m).

Dome Petroleum, the volume leader, eased ⅛ to $⅞ on about 160,000 shares.

Resorts International "A" added 1¼ at $18⅞.

Canada

Markets were easier-inclined in light early trading, with the Toronto Composite Index off 4.9 at 1,6022.2 at noon. Golds retreated 66.9 to 2,138.5, but Oil and Gas improved 13.8 to 2,610.8 against the trend.

Active BP Canada rose 2¼ to C$30¼ and Gulf Canada ⅛ to C$12⅞.

Turbo Resources, halted at C$2.15, said it is continuing to meets its bankers about a debt rescheduling and will make an announcement later this week.

Tokyo

Export-orientated issues generally fell sharply yesterday, but the overall market was mixed with a slight bias to higher levels in a fair turnover. Pharmaceuticals and some speculatives scored good gains.

The yen's considerable decline in the currency market and a series of news reports during the weekend portending a bleak future for the country's exports sent the export-orientated stocks falling.

One unconfirmed report was that Libya was delaying import payments to Japanese shippers.

The Nikkei-Dow Jones Average shed 11.49 to 7,199.16 and the Tokyo SE index 1.97 to 532.45, but rises narrowly exceeded declines on the First Market by 278 to 261. Volume came to 340m shares, compared with Friday's 360m and Saturday's half-day session total of 250m.

Canon weakened Y35 to Y707, Olympus Y26 to Y815, Sony Y40 to Y3,250, Victor Y70 to Y1,830, Toyota Motor Y29 to Y856, Ricoh Y22 to Y451, Matsushita Electric Y33 to Y977, Hitachi Y16 to Y575 and Honda Motor Y22 to Y598.

In contrast, Takeda Pharmaceutical advanced Y18 to Y837, Ajinomoto Y53 to Y900 and Kyoto Ceramic Y20 to Y3,120.

Australia

Resources issues led markets mainly lower yesterday on low volume.

Market observers said investors were concerned about the outcome of Saturday's Victoria State election and possible challenges to the party leadership of Prime Minister Malcolm Fraser. The situation was made worse by some oil drilling reports from the Cooper Basin, which failed to come up to expectations.

London dealers backed away from the Australian market when the dealing account came to an end last week, and apparently will be reluctant to come back in until the political picture clears.

The Australian All Ordinaries Index dipped 6.0 to 469.7, Oil and Gas 14.7 to 408.2 and Metals and Minerals 6.0 to 331.1

The Cooper Basin Dullingari No 22 well flowed at the rate of 1,994 barrels a day, while Merrimelia No 8 produced oil at the rate of 360 barrels a day.

Among the partners, Alliance Oil lost 12 cents to A$1.05, Santos 20 cents to A$4.30, Vamgas 30 cents to A$5.70, and CSR, which holds interests in both wells through Delhi Oil, was down 12 cents to A$3.16.

BHP fell 16 cents to A$7.44, while MIM shed 3 cents to A$2.62, Western Mining 12 cents to A$3.43, Pancontinental 15 cents to A$1.75 and Central Norseman Gold 25 cents to A$3.50.

Germany

Bourse prices ended mixed to easier after slow trading, with investors discouraged by renewed U.S. dollar strength.

Ahead of results due shortly, Commerzbank lost DM 1 to DM 146.

Engineering shares were weak, GHH dipping DM 4 to DM 194 and Linde DM 2.80 to DM 302.20.

In Motors, Daimler fell DM 4.30 to DM 287 and Volkswagen DM 1.50 to DM 142.50.

Switzerland

Share prices were easier in lacklustre trading as expectations that rates for Customer Time Deposits may be lowered yesterday were unfulfilled. A firmer dollar also kept many dealers on the sidelines, with the lack of buying interest evident in all sectors. The Swiss Bank Corporation Industrials index declined 2.5 to 253.6.

Hong Kong

Stocks mainly drifted easier in very light trading, with the Hang Seng index receding 13.46 more to 1,174.72.

Turnover on the four exchanges amounted to only HK$92.96m, against last Friday's total of HK$152.58m.

Brokers said that continuing upward pressure on U.S. interest rates had dashed any hopes for a decline in local rates, and caused brokers to lower Hong Kong corporate earnings expectations for 1982. Most investors were said to be sitting on the sidelines, with little selling or buying taking place.

Carrian Investments shed 7.5 cents to HK$3.975 and Sun Hung Kai Properties 25 cents to HK$5.95 following respective annual and half-year earnings reports. Brokers said that while the results from the two companies were only slightly below expectations, the prospects for both appear to have been dampened by the weakness in the property market and high interest rates.

Johannesburg

The market closed generally easier in continued thin trading.

Gold shares followed the Bullion price lower, although some recovered part of their opening losses, as in Doornfontein, down 5 cents at R15.20, after R15.00.

Singapore

Shares generally declined in quiet trading, partly influenced by the lower Hong Kong trend. The Singapore Straits Times Industrials Index slipped 5.27 to 718.60.

Genting receded 6 cents to S$3.98, Haw Par 10 cents to S$2.96, National Iron 10 cents to S$5.35, Hong Leong Finance 10 cents to S$7.60, Overseas Chinese Bank 40 cents to S$11.10 and United Overseas Bank 6 cents to S$4.02. Bandar Raya lost 6 cents to S$2.27 and Singapore Land 5 cents to S$7.20.

Closing prices for North America were not available for this edition.

CANADA

Stock	Mar. 26	Mar. 25
AMCA Int L	19	19¼
Abitibi	17½	17½
Agnico Eagle	6¾	6¾
Alcan Alumin	22⅞	23¼
Algoma Steel	34	33¾

BELGIUM (continued)

Mar. 29	Price Frs.	+ or —
Petrofina	4,765	+125
Royale Belge	5,600	+50
Soc. Gen. Banq	2,675	
Soc. Gen. Belge	1,472	+2

HOLLAND

Mar. 29	Price Fls.	+ or —
ACF Holding	78	—2
Ahold	78.4	—0.4
AKZO	29.7	+0.4
ABN	285	—2

AUSTRALIA

Mar. 29	Price Aust. $	+ or —
ANZ Group	5.72	
Acrow Aust.	1.69	
Ampol Pet.	1.40	+0.05
Assoc. Pulp Pap	1.50	

JAPAN (continued)

Mar. 29	Price Yen	+ or —
Kubota	334	+2
Kumgaai	449	+2
Kyoto Ceramic	3,120	+20
Lion	389	+19
Maeda Cons.	398	—17
Makita	746	+5

DENMARK

FRANCE

ITALY

NORWAY

HONG KONG

SINGAPORE

SWEDEN

SOUTH AFRICA

GERMANY

JAPAN

AUSTRIA

SWITZERLAND

BRAZIL

BELGIUM/LUXEMBOURG

Indices

NEW YORK —DOW JONES

STANDARD AND POORS

NY. S.E. ALL COMMON

MONTREAL

TORONTO Composite

NEW YORK ACTIVE STOCKS

COMMODITIES AND AGRICULTURE

Common Fund delay

GENEVA—The United Nations Common Fund for stabilising commodity prices, originally due to begin operations next week, will not start for at least another year, delegates to a preparatory meeting said here.

The delay could be even longer, they warned, since several key rules for operation of the Common Fund have yet to be discussed within the United Nations Conference for Trade and Development (UNCTAD).

The fund, intended to aid developing countries by supporting world prices for their raw materials through buffer stocks, was set up in 1980 after four years of negotiations.

But doubts about the compromise reached have delayed. Only 22 states have ratified the agreement so far.

Officials of four international commodity organisations, those for sugar, tin, cocoa and rubber, complained to the meeting this week that the fund would treat them as junior partners rather than equals in its plan to smooth out price fluctuations on world markets.

Delegates said among the questions still unresolved are rules for the fund's borrowing from banks and lending to member commodity organisations to finance commodity buffer stocks.

Other details, such as the fund's budget, staffing and organisational structure, have also not been decided, the delegates said.

UNCTAD plans to hold another preparatory meeting for the fund later this year, with a further meeting sometime in 1983.—Reuter

Wolff to trade gold bullion

LONDON METAL brokers, Rudolf Wolff, now 100 per cent owned by Noranda Mines of Canada, are to set up a department to trade in gold bullion prior to the opening of the London gold futures market on April 19. Noranda are a producer of gold, as a by-product of base metals output.

Similarly, in anticipation of taking up four seats on the London International Financial Futures Exchange (LIFFE), Rudolf Wolff have acquired C. W. Commodities, the brokerage company run by Christopher Williams and Philip Moseby, specialising in financial futures trading.

Tin Council adjourned

BY JOHN EDWARDS, COMMODITIES EDITOR

THE INTERNATIONAL Tin Council meeting, considering export controls and other means of bolstering its buffer stock, was adjourned yesterday with no decision being reached. Talks resume again today when consumers will have had time to consider their attitude to a compromise proposal put forward by Peter Lai, executive chairman of the Council.

This is that exports to end of June should be cut by 4,500 to 41,000 tonnes and the buffer stock manager authorised to increase his purchasing power through loans to the equivalent of 42,000 tonnes.

Britain, West Germany, the U.S. and Communist block countries are believed to be opposed to export controls, but may be prepared to make some concessions in view of the strong pressure from producing countries, led by Bolivia and Malaysia.

Adding support to their case is the fact that the buffer stock is known to have acquired considerable amounts of tin (some reports say as much as 20,000 tonnes) but the Straits tin in Penang, on which the buffer stock range is based, fell over the weekend to M$29.56 a kilo—not much above the Agreement's "floor" of M$29.15.

On the London Metal Exchange yesterday tin values closed virtually unchanged in quiet trading conditions, helped by the uncertainty about the Tin Council and—on a more practical note—the weaker trend in sterling against the dollar.

Tin stocks held in LME warehouses fell by 505 tonnes, cutting total holdings to 39,700 tonnes—still an historically high level. Lead stocks jumped by 3,425 to 72,025 tonnes and the market suffered a further blow when Asarco announced a reduction in its U.S. domestic selling price to 27 cents a pound. However values were little changed, held up by sterling's weakness. The same applied to aluminium, where warehouse stocks rose once again, by a hefty 8,325 tonnes to a total of 199,700 tonnes. Zinc stocks were up by 175 to 62,150; nickel by 66 to 1,476 tonnes and LME silver holdings by 2,220,000 to 33,720,000 ounces. Copper stocks, however, fell by 775 to 128,675 tonnes.

Danes split over land bank plan

BY HILARY BARNES IN COPENHAGEN

DANISH agriculture has been split down the middle by a Government plan to set up a state-owned land bank, which will provide cheap loans to the many thousand farmers currently threatened with bankruptcy against collateral in the land.

The President of the Agricultural Council (the umbrella organisation for all farmers' organisations), Mr H. O. A. Kjeldsen, said the proposal is unacceptable as it will lead to the state ownership of the land, but his two vice-presidents are prepared to accept the plan.

The Social Democratic Government's proposal is for a land bank which can lend up to Kr 10bn at interest rates of under 5 per cent against security in the value of the property.

This means that the bank will make a capital gain if farm prices, which have fallen by about 40 per cent over the past two years, begin to rise. This scheme satisfies an important condition for the Social Democrats of providing aid to the farmers, mainly that it must not lead to a capital gain benefiting the farmers.

Mr Kjeldsen, who represents the Farmers Union, says that help must be given in the form of reducing land taxes and the wealth tax and by refinancing the debts of the hardest hit farmers at subsidised rates of interest.

Mr Christian Soerensen, who is the smallholders leader, argues that whatever happens capital gains tax and inheritance tax mean that farmers will never be allowed to die in possession of a significant fortune. "We must earn money on production. The land bank is voluntary and those who don't need it should not put a spoke in the wheels for those who do."

The farmers estimate that 15,000-20,000 of the 54,000 farms worked on a full time basis will be foreclosed over the next two or three years, unless government aid is forthcoming because they will be unable to pay their interest costs.

● There have been no further cases of foot and mouth disease in Denmark for six days, according to the Veterinary Directorate. The outbreak which began ten days ago led to the destruction of nine herds. The outbreak may have spread to Denmark from East Germany. The Directorate said today that two new cases have been reported in East Germany, bringing the total to eight.

Meat prices higher

BY RICHARD MOONEY

AVERAGE PRICES for beef and home-produced lamb were 28p a lb higher in February than a year earlier, according to the Meat and Livestock Commission's retail prices survey. But pork prices were up only 10p a lb, fresh chickens by 6p and frozen chickens by 4p. Overall meat prices were up 2 per cent in real terms, the Commission said.

UK beef and veal production was down 8 per cent to 1.01m tonnes last year and imports fell by "at least" 40,000 tonnes, MLC said in its latest market review. A further 2 per cent fall is forecast for 1982 British production but imports could be up slightly.

Mutton and lamb should be in good supply, however. The survey said an increase in the breeding herd last year should result in domestic production rising 3 per cent to around 260,000 tonnes. Meanwhile an extra 30,000 tonnes is expected to be shipped from New Zealand because of difficulties over its supply contract with Iran.

Pork production was up 2 per cent last year at 698,000 tonnes while bacon and ham production was down 4 per cent at 199,000 tonnes. This year's production of pork was forecast up 4 per cent with bacon and ham falling a little.

Bacon imports were down four per cent last year because of a drop in Danish shipments. This was caused by reduced slaughterings, the Danish slaughtermen's strike in the spring and favourable export opportunities outside the EEC, MLC said. Imports are expected to recover somewhat this year.

Gloomy report on cocoa

By Our Commodities Editor

THE PROJECTED surplus of cocoa supplies in the 1981-82 season is reduced from 95,000 to 81,000 tonnes in the latest market report issued by London-based dealers, Gill and Duffus, today. But the company still takes a very pessimistic view of prospects for the market.

The report — the 300th issued by the company — comments that the "price range established under the International Cocoa Agreement is no longer of immediate relevance." It notes that a year ago the ICCO daily price was 96.60 cents: today with 100,000 tonnes in the buffer stock it is 82.96 cents.

Moreover, the report adds, the buffer stock is beginning to sustain serious losses at least on paper. Purchases by the buffer stock have so far cost more than $230m, but valued at today's daily price the stock is worth no more than $185m.

In these circumstances the purchase of a further 30,000 to 35,000 tonnes, with loan finance, is not a promising investment, the report claims. Taking a view on market prospects over the next few weeks, it is claimed that a considerable new development would be required to reverse the decline during the last fortnight.

The report puts the world crop during 1981-82 at a record 1,703,000 tonnes, but grindings are also expected to reach a peak at 1,595,000 tonnes. As a result closing stocks are forecast to reach 682,000 tonnes—the highest level since 1965-1966, after six consecutive seasons of new production exceeding demand.

Feed mix use for lupins

BONN—A seed culture institute near the East German town of Neubrandenburg has developed a new strain of lupin which is being hailed by the Press as the "soya of the north," the East Bloc Agricultural Newsletter said.

The lupin, tested in collaboration with sister institutes in Byelorussia and the Ukraine, shares with the soyabean a protein content of some 45 per cent the newsletter said.

INDIA

Tea gardens seek aid for survival

BY RICHARD COWPER IN JAKARTA

INDIA, the world's largest producer and exporter of tea, broke a 25-year-old record last year when tea exports reached 245,000 tonnes.

But rising costs, flat prices and a depreciating rupee meant that this did little to relieve the air of gloom hanging over the industry. Many tea gardens, particularly in south India, have been struggling to break even over the past 12 months and the industry says government help is badly needed if companies are not to close down.

Last year's increase in export volume was welcome news for those in the industry who had become increasingly concerned at India's declining share of the world market. Exports were up an estimated 9 per cent from 224,000 tonnes in calendar 1980 to around 245,000 tonnes last year, according to preliminary figures. The previous highest quantity, of 237,000 tonnes, was exported in 1956.

The record export performance during 1981 was largely accounted for by an estimated 25 per cent increase in shipments to the USSR, from 64,000 tonnes in 1980 to around 80,000 tonnes in 1981. With exports to the UK slightly down on last year's 47,000 tonnes, this meant that for the second year running the Soviet Union was the largest single buyer of Indian tea. Since the beginning of the century the UK has traditionally been India's foremost market.

The tea industry expects production to be down slightly to 565,000 and 570,000 tonnes compared to record production of 572,000 tonnes in 1980. Tea production in South India, which accounts for around 20 per cent of the country's total output is, however, understood to be down by almost 9,000 tonnes from 131,000 tonnes to 122,000 tonnes. Financial difficulties resulting in some closures and a slowdown in fertiliser usage, coupled with adverse weather conditions have been the primary cause. This shortfall was made up by an increase in north Indian production, partly resulting from new tea acreage coming into production. Output from north India, according to preliminary estimates, is likely to be between 444,000 to 447,000 tonnes, compared to 1980 production of around 440,000 tonnes.

The Indian tea industry has been going through an extremely difficult period in the last two years with many estates losing money and others barely managing to break even. This has been largely due to flat domestic and export prices and rising production costs. Worst hit has been the high cost tea producing area of Darjeeling and south Indian producers, particularly in Kerala. According to the industry a number of companies have been incurring losses ranging from rupees 1.50 to rupees 3.0 (17p to 34p) per kilo.

Mr Deepak Roy, the chairman of J. Thomas and Co. of Calcutta, the world's largest tea auctioneers said: "In the past three years production costs have rocketed with oil prices pushing up the cost of fertiliser and freight and the Government increasing the minimum wage. Since 1973 tea prices have declined in real terms and inflation has now caught up with, and in a large number of cases overtaken, production costs. The majority of Indian tea companies either broke even or lost money in 1981. In some high cost areas like Darjeeling, it has reached crisis proportions."

Both the central government and producing states have taken some measures to help the tea industry, and in the last few weeks the outlook for tea prices has improved, giving rise to the hope that 1982 will be a better year than the last. The government expects surplus tea stocks to decline from around 90,000 tonnes in April 1981 to a more acceptable 40,000 tonnes by the beginning of next month, which some experts say should help to push up prices further. On the export front, however, the fact remains that India's production costs are likely to remain well above those of its competitors, and the hope of bringing a halt to the general slide in India's world market share seems slim, in spite of last years record exports.

Though India is likely to retain its position as the world's largest tea producer, exporter and consumer, its exports have remained almost stagnant in volume terms over the past three decades in spite of the steady growth in the world market. In the 1950s average annual exports were 202,000 tonnes and over the last decade average annual exports were only marginally up at 208,000 tonnes. China and East Africa, however, where production costs are over 30 per cent lower, have taken an increasing share of a market which has grown by over 200,000 tonnes to more than 800,000 tonnes in the last ten years. In 1969 India accounted for almost 30 per cent of the world market, but by 1979 its share had fallen to 24 per cent.

Against this background of growing competition India's saviour has been its ever-growing domestic market. Average annual consumption increased from 99,000 tonnes in the 1950s to 174,000 tonnes in the 1960s and 301,000 tonnes in the last decade. India is now by far the world's largest consumer of tea. With per capita consumption at a mere half a kilogram a year (and a growing population) the prospect is of a continuing 5 to 7 per cent annual increase in domestic demand.

Mr B. K. Goswami, the chairman of India's powerful government Tea Board admits that India has not taken full advantage of the new export opportunities, but he remains optimistic about the industry's future. "We still produce the best quality teas in the world and we are not unduly perturbed at competition from Sri Lanka, China and Kenya.

"We have faced a couple of really tough years, but prices have been looking up and there are now some small signs of recovery. The government's excise duty rebate is likely to improve our competitive edge and our large and growing domestic market is a godsend," he says.

Salary forecast

A MINI SALARY explosion is forecast for next year in a survey by Reward Regional Surveys, based on reports from 100 leading employers and recruitment firms.

It says steadily improving productivity amongst both private and public sector salaried staff will mean increases in 1983 above the predicted rate of inflation.

BRITISH COMMODITY MARKETS

BASE METALS

BASE-METAL PRICES moved narrowly on the London Metal Exchange. Little activity was seen in COPPER which closed barely changed at £866.5. LEAD closed at £330.5 following the sharp rise in stocks and the Asarco producer price cut, while ZINC rallied from £421 to close at £427.25 reflecting trade support at the lower level. ALUMINIUM ended at £572.25 in the wake of increased stocks. NICKEL was finally £3,092.5 and TIN £7242.5, the latter sustained by European and U.S. physical interest.

TIN	a.m. Official	+ or —	p.m. Unofficial	+ or —
Standard				
Cash	7010-5	−35	7022-30	+1
3 months	7220-5	−31.5	7240-5	+5
Settlem't	7015	−35	—	......
Straits E.	£899.86	−8.17	—	......
NewYork	—	......	—	

Tin—Morning: Standard, cash £7,010, three months £7,200, 10, 25, 40, 35, 30, 20, 25. Kerb: Standard: Three months

... 72.00, 72.50. Kerb: Three months £572.00, 572.50. Afternoon: Three months £572.50, 73.00. Kerb: Three months £573.00, 72.00, 72.50. Turnover 7,375 tonnes.

Nickel—Morning: Three months £3,085, 90, 3,100, 3,005, 90. Kerb: Three months £3,092, 90. Afternoon: Three months £3,100. Kerb: Three months £3,100, 3,095. Turnover 570 tonnes.

SILVER

COCOA

Following the recent activity futures traded in a narrow range. Physicals reflected the lack of interest with producers withdrawn and consumers only moderately interested in nearby cocoa products, reports Gill and Duffus.

COCOA	Yes'rday's Close	+ or —	Business Done
March	992-95	−7.5	1000-994
May	1010-11	—	1018-03
July	1040-42	+1.5	1045-32
Sept	1069-70	+2.0	1076-61
Dec	1103-04	+3.0	1107-95
March	1136-37	+2.0	1141-35
May	1153-54	+3.0	1150

Sales: 2,012 (3,677) lots of 100 tonnes.

(ICCO—Daily price fob March 26: 81.35 (82.96). Indicator price for March 29: 83.26 (83.96).

COFFEE

In a market lacking fresh news opening prices were slightly lower, reports Drexel Burnham Lambert. Trade buying absorbed further pressure and earlier losses were erased.

COFFEE	Yesterday's Close	+ or —	Business Done
	£ per tonne		
March	1360-75	+10.0	1380-50
May	1183-84	+4.5	1185-64
July	1155-58	+3.5	1158-31
Sept	1146-47	+2.0	1147-17
Nov	1139-42	+5.0	1140-16
January	1138-40	+8.5	1128-15
March	1130-36	+5.5	1115

Sales: 3,931 (4,320) lots of 5 tonnes.

ICO Indicator prices for March 29: (U.S. cents per pound): Comp. daily 1979 121.15 (120.89); 15-day average 128.77 (129.70).

GAS OIL FUTURES

The market opened $1.00 up before drifting lower on the weaker physical price in thin conditions. Prices steadied on the New York opening, reports Premier Man.

Month	Yest'day's close	+ or —	Business Done
	$ U.S. per tonne		
March	265.00	−1.00	263.00
April	260.00	+3.25	260.00-56.00
May	253.00	+5.00	253.50-44.50
June	253.00	+7.00	253.50-44.00
July	252.50	+5.50	252.25-46.00
August	255.00	+6.75	253.50-48.00
Sept.	257.25	+6.25	—
Oct.	258.25	+4.75	—
Nov.	262.75	+6.75	—

WOOL FUTURES

BRADFORD—Thin demand for Bradford wool kept down prices which

GRAINS

Old crops opened unchanged, new crops 10p up. New crops remained firmer all day, while old crops were quiet, Acli reports.

Business done—... Sales: 71 lots of 100 tonnes. Barley: May 109.70-109.60, Sept 102.85 only. Nov 105.35 only. Jan 110.40-110.30. Sales: 26 lots of 100 tonnes.

LONDON GRAINS—Wheat: U.S. Dark Northern Spring No. 1 14 per cent. April/May 15 114.75. May 114.50, June 114.00 transhipment East Coast sellers. English Feed fob, April 117.50, May 119.50, June 121.50 East Coast sellers. Maize: French, first-half April 133.50 transhipment East Coast sellers. S. African White/Yellow, April/May 79.00 seller. Barley: English Feed fob, March 111.50, Aug 104.50 East Coast sellers. Rest unquoted.

HGCA—Locational ex-farm spot prices. Other milling wheat: Eastern 114.20. Feed barley: Eastern 108.00, E. Mids 106.80, N. East 110.00, Scotland 109.10. The UK Monetary Coefficient for the week beginning Monday April 5 (based on HGCA calculations using four days' exchange rates) is expected to remain unchanged.

RUBBER

The London physical market opened easier, attracted little interest through the day and closed on an uncertain note. Lewis and Peat recorded an April fob price for No 1 RSS in Kuala Lumpur of 203.0 (207.0) cents a kg and SMR 20 180.0 (182.0).

No. 1 R.S.S.	Yest'r'ys close	Previous close	Business Done
May	55.40-56.00	55.60-55.50	54.20
June	56.40-57.20	55.50-56.00	55.30
Jly-Sept	58.40-58.50	57.60-57.70	58.70-56.70
Oct-Dec	58.10-58.20	58.80-58.90	58.60-58.00
Jan-Mar	60.60-60.70	60.70-60.80	61.10-60.30
Apl-Jne	62.50-62.60	62.30-62.40	65.00-62.00
Jly-Sept	64.30-64.70	64.00-64.20	65.50-65.90
Oct-Dec	66.10-66.40	65.50-65.70	67.10-65.50
J'n-Mch	67.00-67.80	67.20-67.50	—

Sales: 440 (126) lots of 15 tonnes, 2 (1) lots of 5 tonnes.

Physical closing prices (buyers) were: Spot 54.50p (54.00p); May 53.50p (53.25p); June 54.25p (54.00p).

TEA AUCTION

LONDON TEA AUCTION—33,498 chests were on offer at yesterday's auction. There was improved and more general demand. Medium quality Assams showed a dearer tendency but plainer sorts declined by 1-3p per kilo. Bangladesh teas sold readily at rather lower rates. The brightest liquoring East Africans met increased support and advanced in price while medium kinds showed some irregularity but remained about steady. Ceylons and South Indians met with firm rates particularly for useful liquoring teas.

SOYABEAN MEAL

SUGAR

	Yesterday's close	Previous close	Business done
Aug	158.35-58.40	158.80-59.00	159.00-55.75
Oct	163.35-63.55	165.80-64.00	165.55-61.05
Jan	165.50-63.45	167.00-67.75	—
March	173.10-73.25	172.25-75.00	175.20-71.00
May	175.65-75.80	175.00-75.75	174.00
Aug	178.50-79.00	188.00-79.00	

Sales: 3,582 (2,452) lots of 50 tonnes.

Tate and Lyle delivery price for granulated basis white sugar was £374.00 (same) a tonne fob for home trade and £254.50 (£258.50) for export.

International Sugar Agreement (U.S. cents per pound) fob and stowed Caribbean ports. Prices for March 26: Daily price 10.72 (10.88); 15-day average 11.10 (11.18).

COTTON

LIVERPOOL—Spot and shipment sales amounted to 250 tonnes. Revived undercurrent of demand brought increased interest, with spinners calling for additional supplies of American type varieties. Support was also forthcoming in African qualities.

JUTE

JUTE—C and F Dundee £287, BWD £239, BTB £329, BTC £290, BTD £241: Antwerp c and f BWC £289, BWD £241, BTB £331, BTC £291, BTD £243: Dundee April 40 in 10 oz £10.83, 40 in 7½ oz £8.48; B Twills £34.24.

POTATOES

LONDON POTATO FUTURES—The recent easing of prices continued. Supplies appear adequate despite better weather and consequential land work over the past week or so, reports Coley and Harper. Closing prices: April 126.90, −4.30 (high 131.00, low 126.00); Nov 66.10, +0.30 (high 66.10, low 65.10); Feb 76.30, +0.10 (high 76.30, low 75.80). Turnover 819 (571) lots of 40 tonnes.

MEAT/VEGETABLES

SMITHFIELD—Pence per pound. Beef: Scotch killed sides 83.0 to 88.0; Ulster hindquarters 97.5 to 100.0, forequarters 63.0 to 67.0. Veal: Dutch hinds and ends 124.0 to 129.0. Lamb: English small 85.0 to 95.0, medium 88.0 to 94.0, heavy 84.0 to 88.0; Scotch heavy 84.0 to 88.0; Imported—New Zealand PL 68.5 to 67.5, PM 66.5 to 67.5, YLs 65.0 to 66.0. Pork: English, under 100 lb 40.0 to 56.0, 100-120 lb 46.0 to 55.0, 120-160 lb 44.5 to 52.5.

MEAT COMMISSION—Average Fatstock prices at representative markets. GB—Cattle 102.68p per kg lw (+0.45). UK—Sheep 224.14p per kg est dcw (+5.21). GB—Pigs 77.60p per kg lw (−1.55).

COVENT GARDEN—Prices for the bulk of produce, in sterling per package except where otherwise stated. Imported Produce: Oranges—Spania: Navels 42/130 4.60-5.50; Cyprus: Valencia Lates 3.60-4.50; Jaffa: Shamouti 50 5.50, 60 5.70, 75 5.60, 88 5.60, 105 5.45, 123 5.20, 144 5.20, 168 5.15; Moroccan: Valencia Lates 48/113 3.60-5.00. Temples—Jaffa: 4.50-6.00. Mandarins—Spania: 4.00-4.80. Lemons—Cyprus: 2.50-3.00; Spania: 40/50 1.40-1.60; Jaffa: 105 4.80; U.S.: 6.00; Outspan: 100 5.00. Grapefruit—U.S.: Texas Ruby 6.50-7.00, Florida Ruby 6.50-8.50; Cyprus: Large cartons 3.40-4.00, small cartons 2.80-3.20; Jaffa: 27 4.35, 32 4.55, 36 4.55, 40 4.75, 48 4.95, 56 4.60, 64 4.20, 75 4.00, 88 3.76; Moroccan: 40/64 2.00-2.50. Ugli Fruit—Jamaican: 14/56 7.00-12.00. Ortaniques—Jamaican: 64/126 8.50-9.00. Apples—French: Golden Delicious 20lb 3.40-4.20, 40lb 6.00-8.00; Chilean: Granny Smith 11.50-12.00; Canadian: Red Delicious 8.50-12.00; U.S.: Red Delicious 9.00-13.50; South African: Dunn's 9.00-11.00, Golden Delicious 12.00-12.50, Starking 11.00-12.00. Pears—South African: Williams Bon Chretien 5.50-7.50, Beurre Hardy 5.50-6.80, Comice trays 8lb 3.20-3.50; Italian: Per pound Passacrassane 0.14-0.16. Nectarines—Chilean: 8.00-9.00; South African: 4.00-4.50. Plums—South African: Per pound Songold 0.50-0.60. Grapes—Chilean: Cardinal 11lb 5.50-6.00; South African: Salba 5.30, Alphonse 5.50, Waltham Cross 5.50; S.A. Sultana 7.70-8.00; Chilean: Thompson 7.00-7.50.

Strawberries—Israeli: 0.60; U.S.: 1.10-1.20. Melons—Colombian: Green 4.80-6.50; S. African: White 5.00-5.50; Chilean: Green 9.00-10.00; Brazilian: Yellow 7.50-10.00; Guatemala: 10-kg White 4.50-5.50. Pineapples—Ivory Coast: Each 0.35-1.00.

PRICE CHANGES

In tonnes unless otherwise stated.

	Mar. 29 1982	+ or —	Month ago
Maize			133.5y
Wheat Fut.July	£119.30	+0.15	£114.25
No.2HardWint	‡	......	£116.00
Other commodities			
Cocoa ship't*	£1021	......	£1199
Future May	£1010.5	......	£1163.5
Coffee Ft' May	£1183.5	+4.5	£1502
Cotton A.Index	70.70c	−0.05	69.65c
Gas Oil Apr.	$260	−29	$269.75
Rubber (kilo)	54.5p	+0.5	46p
Sugar (Raw)	£146zx	−2	£163
Wool't's 64s kl.	392p kilo	......	388p kilo

‡ Unquoted. v April. z March-April. x May. y April-May. u May-June. † Per 76 lb flask. * Ghana cocoa. n Nominal. § Seller.

Scheme to expand Jamaican coffee output

BY CANUTE JAMES IN KINGSTON, JAMAICA

THE JAMAICAN Government and Japanese interests are to undertake a $27.5m expansion in production of the island's prized high grown coffee, for which there is an under-supplied market.

The expansion is aimed at making the most of the market for the variety, which comes from the Blue Mountain ranges which form the island's backbone.

The programme is expected to increase output to about 4.65m lbs per year, from the current 1.75m lbs.

The Japanese interest is based on the fact that the country's importers have cornered the market for the Jamaican coffee, and are willing to buy much more than they are getting now.

The All Japan Coffee Association is behind the move to expand production of the Jamaican variety. Mr. Tadao Ueshima, president of the association, said recently that companies in Japan were heartened by the plans to expand in Jamaica.

Japanese coffee industry uses the quality Jamaican high grown variety for blending with imports from several countries in South America and Africa. Because of the inadequacy of supplies, it is rarely ever marketed in its pure form.

The expansion programme here is based on adding 6,000 new acres of coffee to farms on the slopes of the Blue Mountains in the hilly eastern section of the island. For this the Commonwealth Development Corporation has provided a loan of $6.5m.

This is being used as loans to farmers starting new farms, who will get between $800 and $1,600 per acre in some sections of the zones identified by the Ministry of Agriculture for expansion of the Blue Mountain variety.

The Japanese government is supporting the scheme with a $5m loan through the Ueshima Coffee Company, while the company is putting up $1m of its own money.

The Jamaican government is seeking a further $15m to complete the financing of the expansion programme. There are indications that this loan will come from either private or government sources in Japan.

The economic feasibility of the expansion programme is based not only on the fact that demand is running very far ahead of the ability of the Jamaican industry to supply the coffee. The coffee industry has said that even when production reaches the expected 4.6m lbs per year, the demand for the product will still be such that it will be able to fetch prices of about $300 per 100 lbs.

There is also a potentially lucrative market in the U.S. for the Jamaican coffee, but supplies to this market would have to await satisfaction of Japanese demands, and this seems a long way off.

EUROPEAN MARKETS

ROTTERDAM, March 29.

Wheat—(U.S. $ per tonne): U.S. Two Dark Hard Winter 13.5 per cent April 204. U.S. No Two Red Winter April 161. U.S. No Three Amber Durum April/May 184, May 183.50, June 183.50, July 184.50, Aug 186.50, Sept 188, Oct 190, Nov 193.50. U.S. No Two Northern Spring 14 per cent April/May 10 188, May 186, June 184.50, July 184.50, Aug 184.50, Sept 184.50, Oct 183.50, Nov 190. Canadian Western Red Spring April/May 205.

Maize—(U.S. $ per tonne): U.S. No Three Yellow spot 135, afloat 133, Mar 133, April 130.50, May 129.50, June 129.50, July/Sept 130.75, Oct/Dec 131, Jan/Mar 137 sellers.

Soyabeans—(U.S. $ per tonne): U.S. Two Yellow Gulfports April 256.50, May 256.50, June 256.50, July 257.50, Aug 258, Sept 258.50, Oct 255, Nov 255, Dec 259, Jan 264.75, Feb 268, Mar 271.75 sellers.

Soyameal—(U.S. $ per tonne): 44 per cent protein arrived 243, afloat 233, Mar 233, April 225, May 224, April/Sept 225, Nov/Mar 238 sellers. Brazil Pellets afloat 244, Mar 241, April Argentine Pellets, May 231.50 sellers, and May 235, April/Sept 235 sellers.

Sugar—(FFr per tonne): May 1840-1845, July 1849-1864, Aug 1885-1888, Oct 1850-1863, Nov 1860-1865, Dec 1865-1876, March 1960-1975, May 2000-2020. Sales at call: 33

PARIS, March 29

Cocoa—(FFr per 100 kilos): March 1115-1135, May 1135-1140, July 1175-1185, Sept 1210-1230, Dec 1260-1265, March 1310-1320, May 1325-1335. Sales at call: 5.

INDICES

FINANCIAL TIMES

Mar. 26	Mar. 25	Month ago	Year ago
243.39	244.66	241.77	260.75

(Base: July 1, 1952=100).

MOODY'S

Mar. 26	Mar. 25	Month ago	Year ago
990.7	994.8	998.2	1146.2

(December 31, 1931=100)

DOW JONES

Dow Jones	Mar. 26	Mar. 25	Month ago	Year ago
Spot	123.99	124.45	126.27	421.99
Futr's	127.97	128.38	131.88	429.79

(Base: Dec 31 1974=100)

REUTERS

Mar. 29	Mar. 26	M'nth ago	Year ago
1588.2	1590.3	1597.9	1698.9

(Base: September 18, 1931=100)

Gilts and equities down for fourth successive day on interest rate fears and reduced recovery hopes

Account Dealing Dates

Option *First Dealings	Declara-tions	Last Dealings	Account Day
Mar 15	Mar 25	Mar 26	Apr 5
Mar 29	Apr 15	Apr 16	Apr 26
Apr 19	Apr 29	Apr 29	May 10

* "New time" dealings may take place from 9.30 am two business days earlier.

Prices in London stock markets gave further ground yesterday in a quiet start to the three-week Easter trading Account.

Equities opened easier despite the CBI's optimism about industrial trends, but prices steadied slightly in the absence of selling of any size.

Down 9.2 over the previous Account, the FT Industrial Ordinary share index was 4 points off yesterday at the first, 10.00 am, calculation: about half the loss represented ex dividend adjustments which were later recouped, as seen in the noon fall which was reduced to 1.8. The closing index was a net 2.6 off for a four-day loss of 9.2 at 555.1.

The index constituents generally moved narrowly, but the continuing downward bias was still partly reflecting reduced hopes about the recovery prospects for company profits and dividends in the wake of recent disheartening statements from Turner and Newall and Metal Box.

Equities could derive no incentive either from British Funds. Quotations here also went lower for the fourth day running. Buyers were deterred by heightened worries about international interest rates pending some break in the deadlock over U.S. budget plans.

The latest U.S. money supply figures held no message, but concern was being expressed about the sharp rise in UK bank lending to industry in the quarter to mid-February. Higher rates in the money markets yesterday and renewed weakness in sterling against the dollar also unsettled the market.

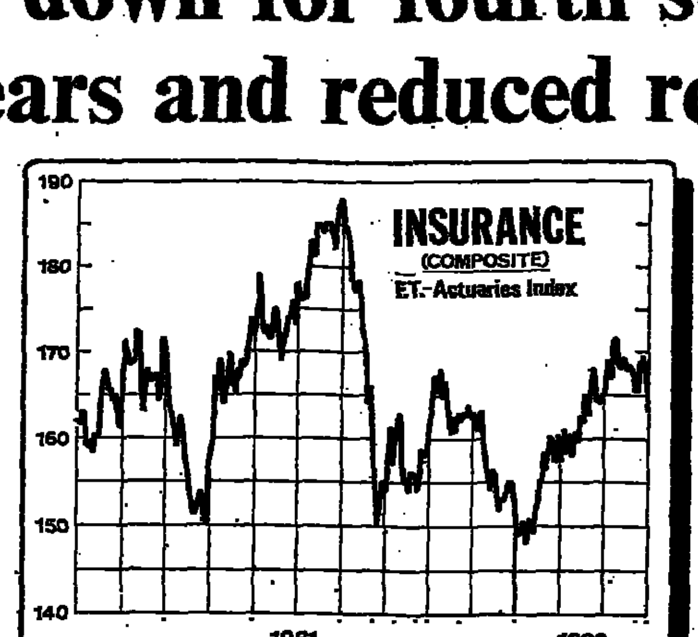
Gilts ended at the day's lowest with widespread falls extending to a full point, which left the Government Securities index 0.46 down at 68.23, a four-day fall of 1.32, or nearly 2 per cent.

The £50-paid index-linked stock equalled its low of 49¼ with a fall of ¼, but other index-linked issues fell by a point and more.

Eagle Star below best

Weekend Press comment sparked off a fresh bout of speculative buying in Eagle Star on hopes of a bid from the German Allianz group and the shares touched 385p before closing a net 5 better at 380p. Lloyds Brokers were inclined harder in places on currency considerations. C. E. Heath put on 7 to 327p and Minet improved a few pence to 169p. Elsewhere, Legal and General held firm at 228p ahead of tomorrow's preliminary results.

Merchant banks provided the main interest in the banking sector yesterday. Still reflecting the problems being experienced in the company's leasing division, Manson Finance Trust lost 3 more for a two-day fall of 12 to 60p. Charterhouse hardened a penny to 80p following the results and Kleinwort Benson, annual figures scheduled for today, gained 4 to 233p. Hill Samuel, 153p, and Mercury Securities, 220p, rose 5 apiece, while Guinness Peat hardened a couple of pence to 75p. The major clearing banks edged forward in thin trading. Midland improved 4 to 333p xd and Lloyds hardened a couple of pence to 450p. First National Finance Corporation improved a penny to 38p on revived speculative support.



In the wake of the management buy-out last September, dealings were reintroduced in civil engineering and building concern George Dew; the shares opened at 133p and after a quiet business, closed at 135p.

Interest in an otherwise uninspired drinks sector centred on cider manufacturers H. P. Bulmer added 3 more to a new peak of 383p, while Merrydown Wine finished 3 to the good at 67p.

Building issues hardened in places, but the leaders generally eased a few pence with Blue Circle, 464p, and London Brick, 83p, down 4 and 2 respectively. RMC gave up 3 to 238p and Aberthaw 5 to 350p, while Derek Crouch shed 3 to 107p. Sustained by a Press tip, John Laing held at 81p, while comment following a broker's circular lifted John Finlan 6 up at 156p; the latter's results are due on Thursday. Other firm spots took in IDC Group, 5 better at 96p, Nottingham Brick, 10 up at 145p, and SGB, 4 higher at 178p.

Despite the increased loss, Yorkshire Chemical featured with a rise of 6 to 44p on recovery hopes generated by the substantial improvement in the second half and the decision to pay a dividend. ICI were static at 312p. Elsewhere, Leigh Interests picked up 3 to 92p.

Mail-orders passed an active and volatile session. Freemans, up to 146p in front of the announcement, reacted to 136p before closing a net 4 higher at 140p following the slightly disappointing full-year figures and reports of poor current trading. Grattan, due to reveal annual results on Thursday, finished only 2 dearer at 105p after 110p, but Empire were resilient and closed at day's best of 80p, up 6.

Leading Stores finished with modest gains after another subdued trade. British Home added 4 to 155p on reports of a broker's upgraded profits forecast. Boots, the subject of a similar revision last week, rose 6 more to 226p. Burton, aided by Press comment, firmed 4 to 179p, while Habitat Mothercare finished 3 higher at 132p, the final interim statement from the solo Habitat matching market expectations. Secondary issues displayed useful gains in places. J. Hepworth rose 7 to 102p, while Martin Ford returned to favour with a gain of 2 to 25p. In contrast, Rambers, 4 down at 53p, succumbed to late selling awaiting today's preliminary results.

Among footwear issues, George Oliver "A" remained a buoyant market and jumped 11 more to 167p xd. Lambert Howarth, annual results due today, added 4 more to 63p.

Chloride fell 3 to 25p following the loss of British Leyland's battery contract to Lucas Industries. Elsewhere in Electricals, Pifco ordinary and "A" fell 10 to the common level of 180p following disappointing half-year results, while Bowthorpe softened a couple of pence to 218p ahead of tomorrow's annual figures. A £2¼m French order helped Fidelity Radio to improve 2 to 46p, and A. and G. Securities were notable for a rise of 5 to 105p. The leaders drifted lower in thin trading; Thorn EMI shed 5 to 415p and GEC, 810p, and Racal, 370p, relinquished 3 apiece.

A firm market last week in sympathy with the impressive preliminary results reported by its German subsidiary, Babcock International fell 7 to 91p yesterday following adverse comment ahead of tomorrow's preliminary figures. Elsewhere in Engineerings, NEI lost 2½ to 82½p on the announcement that the Brazilian Government has cancelled the Santa Cruz coal project order. Johnson and Firth Brown came on offer and shed 3 to 13p, but Glynwed moved up 3 to 117p in response to satisfactory results. Hopkinsons rose 3 to 111p in response to Press comment and W. A. Tyzack found support and rose 2½ to 17½p, after 20p. Of the quietly dull leaders, Hawker lost 4 at 300p, GKN 2 to 152p xd and John Brown 1½ to 55½p.

Metal Box down again

Still unsettled by the gloomy profits forecast and proposed factory closures, Metal Box fell 12 for a two-day relapse of 26 to 148p. Elsewhere in miscellaneous industrials, Associated Communications Corporation "A" lost 4 to 96p on Heron Corporation's decision to withdraw its bid, while Inter-City Investment dipped 7 to 56p on profit-taking in the absence of the much-rumoured bid. Low and Bonar plummeted 51 to 130p on the lower profits and shock 51 per cent cut in the final dividend, while Cape Industries fell 7 to 163p on adverse comment. Sothebys became an erratic market, rising to 370p in response to Press comment, reacting to 340p on profit-taking and closing a net 10 cheaper at 345p. British Aerospace, on the other hand, rose 10 to 180p following comment ahead of today's preliminary results and Hawley reflected speculative interest with a rise of 4 to 82p. Up 2½ last week after an optimistic trading statement, F. Austin (Leyton) improved 1½ more to 6½p, while publicity given to a broker's circular helped Sketchley to put on 4 to 271p.

Horizon Travel touched a 1981-1982 peak of 398p before settling for a net gain of 3 at 395p following preliminary earnings at the top end of market estimates, an increased dividend and the proposed 100 per cent scrip issue. Saga Holidays, a dull counter of late, rallied 3 to close at 152p xd. Elsewhere in Leisures, Glasgow Pavilion, 34p, recovered 2 of Friday's fall of 6, while LWT "A" firmed 4 to 152p; the latter's mid-term results are due on Thursday.

Motor and Aircraft components were quietly irregular. Dowty eased a couple of pence to 18p, but Dunlop attracted revived support on recovery hopes and rose 3 to 76p. Distributors were also mixed. Dorada, annual results due Wednesday, gave up 2 to 37p, but British Car Auction hardened 1½ to 88p. Appleyard eased the turn to 66p following the reduce dannual deficit and passed final dividend.
past final dividend.

Pearson Longman opened sharply higher at 333p before settling for a net gain of 7 at 322p awaiting further developments in the bid situation with parent S. Pearson, unchanged at 255p.

Leading Properties edged lower, sentiment not helped by publicity given to a broker's adverse circular. Land Securities eased a couple of pence to 287p, while losses of 3 were seen in MEPC, 220p, and Stock Conversion, 330p. Nolton held at 35p despite the passed interim dividend and increased first-half loss. Scattered support was noted for Evans of Leeds, 4 dearer at 68p.

Oils a shade lower

After the recent turn for the better, leading Oils trended easier but closing losses were modest following a light turnover. Up 22 last week on better-than-expected results, LASMO came back 4 to 290p xd. BP ended similarly cheaper at 248p xd and Shell closed unchanged at 366p following the xd adjustment. Ultramar, also xd, shed 5 to 375p. Secondary issues plotted an irregular course. Clyde Petroleum added 3 to 95p in response to Press comment, while Anvil Petroleum hardened 2 to 100p following the interim results. ORE found support at 210p, up 13, while improvements of around 5 were seen in Eglington, 60p, Offshore, 15p, Orbit, 70p, and Palliser Resources, 100p. Tiber Energy cheapened 8 to 147p and Westforth 5 to 55p.

Among Overseas Traders, Press comment lifted long-time take-over favourite Tozer Kemsley and Millbourn 2 more to 80p. Australian Agricultural firmed 3 to 138p after the full-year results.

Financials held close to Friday's closing levels, with the notable exception of Park Place, 6 higher at 102p on speculative demand.

Shippings plotted an irregular course in quiet trading. P. and O. Deferred added a few pence more at 140p, but Common Brothers gave up 8 to 235p. Celtic Haven were again briskly traded with the help of option business and ended 1½ lower at 32p.

Quiet Mines

Mining markets began the new Account in subdued form. South African Golds lost ground at the outset, reflecting the downturn in the bullion price, but staged a minor recovery to close a fraction harder on balance in line with the strength of the Financial Rand.

The one-point loss in the Gold Mines index to 236.4—its third successive fall—was a result of Gencor's Evander mines and Barlow Rand's Harmony being quoted ex the March dividend payments.

Among the heavyweights, Randfontein and Hartebeest were outstanding and up around ¾ apiece at £21¾ and £20¾ respectively, while rises of around ¼ were common to Kloof, £11¼ and Southvaal, £12¾.

South African Financials were mixed. In the former, Anglovaal dropped a point to a 1981-82 low of £16 and Gold Fields of South Africa ¼ to £25¾.

London issues were again unsettled by further falls in UK equities.

A sharp decline in overnight Sydney and Melbourne markets coupled with the absence of any encouraging news from the oil and gas drilling rigs prompted widespread, although generally modest, losses in Australians.

Claremont Petroleum dipped 3 to 60p and Santos 10 to 250p ahead of the latest drilling report from the Jackson South oil discovery well in the Cooper Basin. Brunswick Oil gave up 1½ to a 1981-82 low of 17½p following the company's overnight rights issue in the ratio of two-for-three at 20 cents.

Gold Mines of Kalgoorlie dropped 15 to 180p and Poseidon 5 to 87p. North Kalgurli lost 4 more to a 1981-82 low of 15p on further consideration of the rights issue; North Kalgurli announced yesterday that it is to continue limited operations at the Fimiston mine for a test period.

The subdued session in London equities resulted in another disappointing business in the Traded Options market. Deals completed yesterday amounted to only 1,164—well below last week's daily average of 1,585. Once again, interest was centred on two issues, British Petroleum attracting 145 calls and 246 puts and Imperial recording 221 calls.

FINANCIAL TIMES STOCK INDICES

	Mar. 29	Mar. 26	Mar. 25	Mar. 24	Mar. 23	Mar. 22	A year ago
Government Secs	68.23	68.69	68.91	69.13	69.55	69.06	69.62
Fixed Interest	69.39	69.66	69.66	69.69	69.56	69.31	71.36
Industrial Ord	555.1	557.7	559.9	562.6	564.3	558.1	518.8
Gold Mines	236.4	237.4	240.7	254.8	254.6	240.5	552.7
Ord. Div. Yield	5.67	5.63	5.61	5.58	5.57	5.62	6.35
Earnings, Yld.%(full)	11.31	11.25	10.73	10.68	10.65	10.75	12.63
P/E Ratio (net) (*)	11.12	11.19	11.65	11.91	11.95	11.84	9.94
Total bargains	21,013	22,902	23,047	19,893	24,020	21,010	30,052
Equity turnover £m.	—	153.85	141.33	202.16	180.79	101.54	140.82
Equity bargains	—	19,122	20,162	20,606	21,246	16,624	26,118

10 am 553.7. 11 am 555.6. Noon 555.9. 1 pm 555.6.
2 pm 554.9. 3 pm 555.1.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Industrial Ord. 1/7/35. Gold Mines 12/9/55. SE Activity 1974.

Latest Index 01-246 8026.

*Nil=10.14.

† Correction.

HIGHS AND LOWS

	1982 High	1982 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	69.55 (25/3)	61.89 (5/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	69.66 (25/3)	62.79 (7/1)	150.4 (28/11/47)	50.53 (3/1/75)
Ind. Ord.	579.8 (29/1)	518.1 (5/1)	597.3 (30/4/81)	49.4 (26/6/40)
Gold Mines	300.0 (5/1)	209.2 (9/3)	558.9 (22/9/80)	43.5 (26/10/71)

S.E. ACTIVITY

	Mar. 26	Mar. 25
—Daily		
Gilt Edged Bargains	175.0	186.5
Equities Bargains	123.9	130.6
Value	311.0	265.7
5-day Avrge.		
Gilt-Edged Bargains	204.1	205.4
Equities Bargains	126.7	121.0
Value	315.2	308.5

RECENT ISSUES

EQUITIES

Issue price p	Amount paid up	Latest Renunc. Date	1982 High	1982 Low	Stock	Closing price p	+ or −	Net Div.	Times Covered	Gross Yield	P/E Ratio
142	F.P.	26/3	202	186	Amersham	197	+1	b3.5	2.9	2.5	16.9
15	F.P.	15/4	25	19	Cambrian & Gen. 7p	25					
‡102	F.P.	—	135	128	Dow (George)	135					
60	F.P.	—	370	315	Eldridge Pope £1	370					
—	F.P.	—	32	21	Fleet Holdings 20p	23½					
—	F.P.	—	38	27	Greenfriar Warrants	37					
[illegible]					[illegible]						

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc. Date	1982 High	1982 Low	Stock	Closing price £	+ or −
‡100	£25				Barclays 16% Ln. Stk.		
100	F.P.				Boddingtons Brew 9½% Cnv. Ln.		
[illegible]					[illegible]		

"RIGHTS" OFFERS

Issue price p	Amount paid up	Latest Renunc. date	1982 High	1982 Low	Stock	Closing price p	+ or −
70	F.P.				Clyde Petroleum	93	+7
40	F.P.				Energy Finance 10p	40	
30	F.P.				First Castle 10p		
160	F.P.				Hunting Pet. Services	164	
[illegible]					M.I.M.		
—	Nil				Sr. Riley Leisure		
74	Nil				St. George's Grp. 10p		
110	F.P.				Security Centres		
11	Nil				Shaw & Marvin 10p		
10	F.P.				Sturla 10p		

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimate. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. g Assumed dividend and yield. u Forecast dividend; cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1982. Q Gross. T Figures assumed. ‡ Figures or report awaited. ‡ Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. § Placing price. p Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation, merger or take-over. ‖‖ Introduction. □ Issued to former preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ★ With warrants. †† Dealings under special Rule. ‡ Unlisted Securities Market. ‡‡ London Listing. † Effective issue price after scrip. † Formerly dealt in under Rule 163(2)(a). †† Unit comprising five ordinary and three Cap shares.

ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday

Stock	Closing price pence	Day's change	Stock	Closing price pence	Day's change
Celtic Haven	32	−1½	Low & Bonar	130	−51
Eagle Star	380	+5	Metal Box	148	−12
Empire Stores	80	+6	Nth Kalgurli	15	−4
Freemans	140	+4	Shell Transport	366xd	—
Glynwed	117	+3	Sotheby's	345	−10
Grattan	105	+2	Yorks Chem	44	+6

FRIDAY'S ACTIVE STOCKS

Based on bargains recorded in S.E. Official List

Stock	No. of price changes	Friday's closing price pence	Day's change	Stock	No. of price changes	Friday's closing price pence	Day's change
BP	32	302	−6	Ultramar	22	388	−2
Shell Trans	27	378	+6	Turner & Newl.	21	63	—
De Beers Defd	25	221	−5	BAT	20	413	−5
ICI	24	312	−8	FNFC	18	37	−½
Inter-City	22	63	+7	Beecham	17	239	−3
BICC	22	318	−7	Metal Box	17	160	−14
GEC	22	813	−5	Hawker Sid	16	304	−2

NEW HIGHS AND LOWS FOR 1981/2

The following quotations in the Share Information Service yesterday attained new Highs and Lows for 1981-82.

NEW HIGHS (29)

BEERS (1)
Bulmer (H. P.)
BUILDINGS (3)
Bryant Ruberoid
Lovell (Y. J.)
STORES (3)
Burton Group Oliver (G.) A
Freemans
ELECTRICALS (4)
A. & G. Sec. Elect. Rediffusion
Farnell Elect. Sound Diffusion
ENGINEERING (1)
Drake & Scull
INDUSTRIALS (4)
Black (P.) Embart Corp.
Hanson Trust 5½pc Inter-City
Cnv. 1988-93
LEISURE (2)
Horizon Trident TV A
MOTORS (1)
British Car Auction
NEWSPAPERS (1)
Pearson Longman
PROPERTY (1)
Beazer (C. H.)
SHOES (1)
Lambert Howarth
TEXTILES (1)
Miller (F.)
TRUSTS (2)
Bankers Inv. Park Place
OILS (1)

NEW LOWS (27)

BUILDINGS (1)
STORES (1)
ELECTRICALS (2)
ENGINEERING (1)
INDUSTRIALS (4)
MOTORS (1)
PROPERTY (1)
SOUTH AFRICANS (1)
TRUSTS (4)
OILS (1)
MINES (7)

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	6	82	11
Corpns. Dom. & Foreign Bonds	2	36	37
Industrials	222	272	860
Financial & Props.	88	97	347
Oils	12	36	51
Plantations	2	4	17
Mines	40	33	56
Others	24	63	59
Totals	396	622	1,438

OPTIONS

First Deal-ings	Last Deal-ings	Last Declara-tion	For Settle-ment
Mar 22	April 2	July 1	July 12
April 5	April 26	July 15	July 26
April 26	May 7	July 29	Aug 9

For rate indications see end of Share Information Service

Stocks favoured for the call included Turner & Newall, G. M. Firth, First National Finance, Celtic Haven, Marshall's Universal, Gill and Duffus, BP, Carless Capel, Sotheby Parke Bernet, Goodman Brothers, Southern Pacific Petroleum, Eagle Star, Clyde Petroleum, Metal Box, Courtaulds, Hawley Leisure and Gulfstream Resources. Puts were completed in Lesney, Brown and Jackson and Inter-City, while doubles were struck in Celtic Haven, BP and Tubes.

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS

Figures in parentheses show number of stocks per section

		Mon March 29 1982 Index No.	Day's Change %	Est. Earnings Yield % (Max.)	Gross Div. Yield % (ACT at 30%)	Est. P/E Ratio (Net)	Fri Mar 26 Index No.	Thur Mar 25 Index No.	Wed Mar 24 Index No.	Tues Mar 23 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (210)	363.94	−0.6	9.86	4.36	12.66	366.12	368.45	371.62	373.06	333.77
2	Building Materials (25)	329.40	−0.4	13.38	5.23	8.97	330.66	332.75	335.45	337.02	301.77
3	Contracting, Construction (28)	607.31	−0.5	14.42	4.75	8.21	610.06	614.54	618.85	623.72	491.13
4	Electricals (31)	1258.90	−0.5	7.42	2.35	17.22	1265.09	1273.00	1285.12	1294.43	1055.59
5	Engineering Contractors (9)	493.41	−1.0	13.09	5.95	8.90	498.57	501.63	501.32	501.97	431.63
6	Mechanical Engineering (67)	188.79	−0.3	11.32	5.87	11.18	189.39	190.61	191.26	191.41	202.57
7	Metals and Metal Forming (12)	159.20	−1.8	10.29	7.74	12.55	161.98	162.57	164.07	163.47	157.37
8	Motors (21)	95.78	−0.6	2.62	6.95	—	96.24	96.11	96.46	96.93	94.47
10	Other Industrial Materials (17)	369.21	−1.2	10.01	5.69	12.09	373.54	376.35	382.07	382.27	351.76
21	CONSUMER GROUP (199)	296.45	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
22	Brewers and Distillers (21)	[illegible]									
25	Food Manufacturing (22)	[illegible]									
26	Food Retailing (15)	[illegible]									
27	Health and Household Products (8)	[illegible]									
29	Leisure (24)	[illegible]									
32	Newspapers, Publishing (12)	[illegible]									
33	Packaging and Paper (13)	[illegible]									
34	Stores (45)	[illegible]									
35	Textiles (23)	[illegible]									
36	Tobaccos (3)	[illegible]									
39	Other Consumer (14)	[illegible]									
41	OTHER GROUPS (78)	[illegible]									
42	Chemicals (16)	[illegible]									
44	Office Equipment (4)	[illegible]									
45	Shipping and Transport (13)	[illegible]									
46	Miscellaneous (45)	[illegible]									
49	INDUSTRIAL GROUP (487)	[illegible]									
51	Oils (13)	[illegible]									
59	500 SHARE INDEX	[illegible]									
61	FINANCIAL GROUP (117)	[illegible]									
62	Banks (6)	[illegible]									
63	Discount Houses (9)	[illegible]									
65	Insurance (Life) (9)	[illegible]									
66	Insurance (Composite) (10)	[illegible]									
67	Insurance Brokers (7)	[illegible]									
68	Merchant Banks (12)	[illegible]									
69	Property (49)	[illegible]									
70	Other Financial (15)	[illegible]									
71	Investment Trusts (112)	[illegible]									
81	Mining Finance (4)	[illegible]									
91	Overseas Traders (16)	[illegible]									
99	ALL-SHARE INDEX (750)	[illegible]									

FIXED INTEREST

	PRICE INDICES	Mon Mar 29	Day's change %	Fri Mar 26	xd adj. today	xd adj. 1982 to date
	British Government					
1	5 years	114.87	−0.36	110.87	—	2.85
2	5-15 years	109.82	−0.69	111.27	0.68	3.43
3	Over 15 years	114.21	−0.78	115.11	—	3.04
4	Irredeemables	120.87	−0.55	121.54	—	1.23
5	All Stocks	111.17	−0.62	112.13	0.26	3.11
6	Debentures & Loans	87.45	−0.01	87.46	0.46	3.51
7	Preference	64.84	−0.29	65.35	0.32	2.52

	AVERAGE GROSS REDEMPTION YIELDS		Mon Mar 29	Fri Mar 26	Year ago (approx.)
1	British Government Low Coupons	5 years	11.98	11.88	11.51
2		15 years	12.84	12.74	12.96
3		25 years	12.67	12.56	13.15
4	Medium Coupons	5 years	13.42	13.28	13.05
5		15 years	14.11	13.97	13.94
6		25 years	13.86	13.75	13.95
7	High Coupons	5 years	13.88	13.76	13.31
8		15 years	14.06	13.94	13.86
9		25 years	13.60	13.52	13.78
10	Irredeemables		12.37	12.29	13.03
11	Debs & Loans	5 years	14.82	14.59	14.23
12		15 years	14.71	14.59	14.28
13		25 years	14.58	14.48	14.34
14	Preference		15.16	15.02	14.36

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 28p.

WORLD VALUE OF THE POUND

The table below gives the latest available rate of exchange for the pound against various currencies on March 29 1982. In some cases rates are nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Abbreviations: (A), approximate rate, no direct quotation available; (F) free rate; (P) based on U.S. dollar parities and going sterling/dollar rates; (S) member of the sterling area other than Scheduled Territories; (T) tourist rate; (Bas) basic rate; (bg) buying rate; (bk) bankers' rates; (cm) commercial rate; (ch) convertible rate; (fn) financial rate; (exC) exchange certificate rate; (k) Scheduled Territory; (nc) non-commercial rate; (nom) nominal; (o) official rate; (sg) selling rate.

PLACE AND LOCAL UNIT		VALUE OF £ STERLING
Afghanistan	Afghani	99.00
Albania	Lek	9.95
Algeria	Dinar	7.4585
Andorra	French Franc	11.095
	Spanish Peseta	189.60
Angola	Kwanza	[illegible]
Antigua (S)	E. Caribbean $	4.81
Argentina	Ar. Peso	20,270.0
Australia (S)	Australian $	1.6955
Austria	Schilling	30.225
Azores	Portugu'se Escudo	127.05
Bahamas (S)	Ba. Dollar	1.7800
Bahrain (S)	Dinar	0.672
Balearic Isles	Spa. Peseta	189.60
Bangladesh (S)	Taka	38.35
Barbados (S)	Barbados $	3.5600
Belgium	B. Franc	[illegible]
Belize	B $	3.5600
Benin	C.F.A. Franc	554.75
Bermuda (S)	Bda $	1.7800
Bhutan	Indian Rupee	16.58
Bolivia	Bolivian Peso	[illegible]
Botswana (S)	Pula	1.6725
Brazil	Cruzeiro	259.50
Brit. Virgin Isles (S)	U.S. $	1.7800
Brunei (S)	Brunei $	3.7985
Bulgaria	Lev	1.7427
Burma	Kyat	11.50
Burundi	Burundi Franc	164.30
Cameroon Republic	C.F.A. Franc	554.75
Canada	Canadian $	2.1925
Canary Islands	Spanish Peseta	189.60
Cape Verde Isle	Cape V. Escudo	65.00
Cayman Islands (S)	Cay. Is. $	1.4835
Cent. Afr. Republic	C.F.A. Franc	554.75
Chad	C.F.A. Franc	554.75
Chile	C. Peso	[illegible]
China	Renminbi Yuan	3.3492
Colombia	C. Peso	[illegible]
Comoro Islands	C.F.A. Franc	554.75
Congo (Brazzaville)	C.F.A. Franc	554.75
Costa Rica	Colon	[illegible]
Cuba	Cuban Peso	1.4400
Cyprus (S)	Cyprus £	0.8285
Czechoslovakia	Koruna	[illegible]
Denmark	Danish Krone	14.66
Djibouti	Fr.	304
Dominica (S)	E. Caribbean $	4.81
Dominican Repub.	Dominican Peso	1.7800
Ecuador	Sucre	[illegible]
Egypt	Egyptian £	[illegible]
Equatorial Guinea	Ekuele	[illegible]
Ethiopia	Ethiopian Birr	[illegible]
Falkland Islands (S)	Falkland Is £	1.0
Faroe Islands	Danish Krone	14.66
Fiji Islands	Fiji $	1.6375
Finland	Markka	8.347
France	French Franc	11.095
French C'tyin Af	C.F.A. Franc	554.75
French Guiana	Local Franc	11.095
French Pacific Is.	C.F.P. Franc	[illegible]
Gabon	C.F.A. Franc	554.75
Gambia (S)	Dalasi	4.00
Germany (East)	Ostmark	4.30
Germany (West)	Deutsch Mark	4.30
Ghana (S)	Cedi	4.95
Gibraltar (S)	Gibraltar £	1.0
Greece	Drachma	110.6845
Greenland	Danish Kroner	14.66
Grenada (S)	E. Caribbean $	4.81
Guadaloupe	Local Franc	11.095
Guam	U.S. $	1.7800
Guatemala	Quetzal	1.7800
Guinea Republic	Syli	[illegible]
Guinea Bissau	Peso	[illegible]
Guyana (S)	Guyanese $	5.3476
Haiti	Gourde	8.90
Honduras Repub.	Lempira	3.57
Hong Kong (S)	H.K. $	10.4110
Hungary	Forint	[illegible]
Iceland (S)	I. Krona	17.986
India (S)	Ind. Rupee	16.58
Indonesia	Rupiah	1,153.45
Iran	Rial	147.40
Iraq	Iraq Dinar	0.5270
Irish Republic (k)	Irish £	1.2380
Israel	Shekel	34.00
Italy	Lira	2,352.0
Ivory Coast	C.F.A. Franc	554.75
Jamaica (S)	Jamaica Dollar	3.1746
Japan	Yen	435.50
Jordan (S)	Jordan Dinar	0.615
Kampuchea	Riel	[illegible]
Kenya (S)	Kenya Shilling	19.05
Kiribati	Australian $	1.6955
Korea (Nth)	Won	1.73
Korea (Sth)	Won	1,252.07
Kuwait (S)	Kuwait Dinar	0.510
Laos	New Kip	17.80
Lebanon	Lebanese £	8.6065
Lesotho	Maloti	1.8560
Liberia	Liberian $	1.7800
Libya	Libyan Dinar	0.5279
Liechtenstein	Swiss Franc	3.435
Luxembourg	Lux Franc	81.20
Macao	Pataca	10.75
Madeira	Portug'se Escudo	127.05
Malagasy Republic	MG Franc	554.75
Malawi (S)	Kwacha	1.6865
Malaysia (S)	Ringgit	4.1615
Maldive Islands (S)	Rufiyaa	13.44
Mali Republic	Mali Franc	1,109.5
Malta (S)	Maltese £	0.7295
Martinique	Local Franc	11.095
Mauritania	Ouguiya	87.75
Mauritius (S)	M. Rupee	19.15
Mexico	Mexican Peso	79.88
Miquelon	C.F.A. Franc	554.75
Monaco	French Franc	11.095
Mongolia	Tugrik	[illegible]
Montserrat	E. Caribbean $	4.81
Morocco	Dirham	10.40
Mozambique	Metical	53.55
Nauru	Australian Dollar	1.6955
Nepal	Nepalese Rupee	23.50
Netherlands	Guilder	4.76
Netherland Antilles	Antillian Guilder	3.1862
New Zealand (S)	N.Z. Dollar	2.3210
Nicaragua	Cordoba	17.81
Niger Republic	C.F.A. Franc	554.75
Nigeria (S)	Naira	1.19
Norway	Norway Krone	10.895
Oman Sul'ate of (S)	Rial Omani	0.616
Pakistan	Pakistan Rupee	19.84
Panama	Balboa	1.7800
Papua N.Guinea (S)	Kina	1.2815
Paraguay	Guarani	[illegible]
Peru	Sol	[illegible]
Philippines	Philippine Peso	14.75
Pitcairn Islands (S)	£ Sterling / New Zealand $	1.0 / 2.3210
Poland	Zloty	[illegible]
Portugal	Portugu'se Escudo	127.05
Puerto Rico	U.S. $	1.7800
Qatar (S)	Qatar Ryal	6.49
Reunion Ile de la	French Franc	11.095
Romania	Leu	[illegible]
Rwanda	Rwand Franc	168.05
St. Christopher (S)	E. Caribbean $	4.81
St. Helena	St. Helena £	1.0
St. Lucia	E. Caribbean $	4.81
St. Pierre	Local Franc	11.095
St. Vincent (S)	E. Caribbean $	4.81
Salvador El	Colon	4.46
Samoa American	U.S. $	1.7800
San Marino	Italian Lira	2,352.0
Sao Tome & Prin.	Dobra	[illegible]
Saudi Arabia	Ryal	[illegible]
Senegal	C.F.A. Franc	554.75
Seychelles	S. Rupee	11.45
Sierra Leone (S)	Leone	2.2084
Singapore (S)	Singapore $	3.7965
Solomon Islands (S)	Solomon Is. $	1.5580
Somali Republic	Somali Shilling	[illegible]
South Africa (S)	Rand	1.8560
South West Africa Territories (S)	S. A. Rand	1.8560
Spain	Peseta	189.60
Spanish ports in North Africa	Peseta	189.60
Sri Lanka (S)	S. L. Rupee	36.70
Sudan Republic	Sudan £	1.5025
Surinam	S. Guilder	3.1862
Swaziland (S)	Lilangeni	1.8560
Sweden	S. Krona	10.55
Switzerland	Swiss Franc	3.435
Syria	Syria £	[illegible]
Taiwan	New Taiwan $	[illegible]
Tanzania (S)	Tan. Shilling	16.80
Thailand	Baht	40.95
Togo Republic	C.F.A. Franc	554.75
Tonga Islands (S)	Pa'anga	1.6955
Trinidad (S)	Trinidad & Tob. $	4.2720
Tunisia	Tunisian Dinar	[illegible]
Turkey	Turkish Lira	262.30
Turks & Caicos	U.S. $	1.7800
Tuvalu	Australian $	1.6955
Uganda (S)	Uganda Shilling	150.0
United States	U.S. Dollar	1.7800
Uruguay	Uruguay Peso	[illegible]
Utd. Arab Emirates	U.A.E. Dirham	6.55
U.S.S.R.	Rouble	1.3000
Upper Volta	C.F.A. Franc	554.75
Vanuatu	Vatu / Aust. Dollar	180.75 / 1.6955
Vatican	Italian Lira	2,352.0
Venezuela	Bolivar	7.65
Vietnam	Dong	[illegible]
Virgin Island U.S.	U.S. Dollar	1.7800
Western Samoa (S)	Samoan Tala	2.0600
Yemen (Nth)	Ryal	8.06
Yemen (Sth)	S. Yemen Dinar	[illegible]
Yugoslavia	New Y Dinar	82.6332
Zaire Republic	Zaire	10.18690
Zambia	Kwacha	1.5590
Zimbabwe	Zimbabwe $	1.3238

*That part of the French community in Africa formerly French West Africa or French Equatorial Africa. † Rupees per pound. ‡ General rates of oil and iron exports 74.75. **Rate is the transfer market (controlled). ††Now one official rate. (U) Unified rate. Applicable on all transactions except countries having a bilateral agreement with Egypt and who are not members of IMF. (1) Based on gross rates against Russian rouble. (1) Parallel exchange rate for essential imports. (2) Exports, non-essential imports and transfer. (3) Now one rate. (4) Essential goods.

FT UNIT TRUST INFORMATION SERVICE

INSURANCE BONDS

Abbey Life Assurance Co. Ltd.

Albany Life Assurance Co. Ltd.

AMEV Life Assurance Ltd.

Barclays Life Assur. Co. Ltd.

Black Horse Life Ass. Co. Ltd.

Canada Life Assurance Co.

Canada Life Assurance Co of G. Britain

Cannon Assurance Ltd.

Capital Life Assurance

Chieftain Assurance Funds

City of Westminster Assurance

Clerical Medical Managed Funds Ltd.

Commercial Union Group

Confederation Life Insurance Co.

Continental Life Insurance PLC

Cornhill Insurance Co. Ltd.

Crown Life

Crusader Insurance PLC

Eagle Star Insur./Midland Assur.

Equity & Law Life Ass. Soc. Ltd.

G.T. Management Ltd.

General Portfolio Life Ins. C. Ltd.

Growth & Sec. Life Ass. Soc. Ltd.

Guardian Royal Exchange

Hambro Life Assurance P.L.C.

Hearts of Oak Benefit Society

Henderson Administration

Hill Samuel Life Assur. Ltd.

Imperial Life Ass. Co. of Canada

Irish Life Assurance Co. Ltd.

King & Shaxson PLC

Langham Life Assur. Co. Ltd.

Legal & General (Unit Assur.) Ltd.

Legal & General Prop. Fd. Mgrs. Ltd.

Life Assur. Co. of Pennsylvania

Lloyds Life Assurance

London A'deen & Nthn. Mtl. Assur. Ltd.

London Indemnity & Gnl. Ins. Co. Ltd.

London Life Linked Assur. Ltd.

London & Manchester Gp.

M & G Group

Manufacturers Life Insurance Co.

Merchant Investors Assurance

Multiple Health and Life Assur. Co. Ltd.

NEL Pensions Ltd.

NPI Pensions Management Ltd.

New Zealand Ins. Co. (UK) Ltd.

Norwich Union Insurance Group

Pearl Assurance (Unit Funds) Ltd.

Phoenix Assurance Co. Ltd.

Pioneer Mutual Insurance Co. Ltd.

Planned Savings Group

Premium Life Assurance Co. Ltd.

Prop. Equity & Life Ass. Co.

Property Growth Assur. Co. Ltd.

Providence Capitol Life Assc. Co. Ltd.

Provincial Life Assurance Co. Ltd.

Prudential Pensions Limited

Refuge Investments Limited

Reliance Mutual

Rothschild Asset Management

Royal Insurance Group

Save & Prosper Group

Schroder Life Group

Scottish Amicable Investments

Scottish Mutual Assurance Society

Scottish Widows' Group

Skandia Life Assurance Co. Ltd.

Standard Life Assurance Company

Sun Alliance Insurance Group

Sun Life of Canada (UK) Ltd.

Sun Life Unit Assurance Ltd.

Target Life Assurance Co. Ltd.

Transinternational Life Ins. Co. Ltd.

Trident Life Assurance Co. Ltd.

Tyndall Assurance/Pensions

Vanbrugh Life Assurance

Vanbrugh Pensions Limited

Windsor Life Assur. Co. Ltd.

OFFSHORE & OVERSEAS FUNDS

Adig Investment

Albany Fund Management Limited

Allen Harvey & Ross Inv. Mgt. (C.I.)

Alliance International Dollar Reserves

Arbuthnot Securities (C.I.) Ltd.

B.I.A. Bond Investments AG

Bank of America International S.A.

Barclays Unicorn International

Bishopsgate Commodity Ser. Ltd.

Bridge Management Ltd.

Britannia Intl. Investment Mngmt. Ltd.

Brown Shipley Tst. Co. (Jersey) Ltd.

Butterfield Management Co. Ltd.

CAL Investments (IoM) Ltd.

Capitol International Fund S.A.

Capital Asset Managers Ltd.

Central Assets Management Ltd.

Charterhouse Japhet

Chawton Commodities (Isle of Man) Ltd.

Cornhill Ins. (Guernsey) Ltd.

Cortexx International

Craigmount Fixed Int. Mngrs. (Jersey)

DWS Deutsche Ges. F. Wertpapiersp

Delta Group

Deutscher Investment-Trust

Drexel Burnham Lambert

Dreyfus Intercontinental Inv. Fd.

Duncan Lawrie Inv. Mgt. Ltd.

Emson & Dudley Tst. Mgt. Jrsy. Ltd.

The English Association

Eurobond Holdings N.V.

S.G. Europe Obligations S.A.

Eurotax Investments Ltd.

F & C Mgmt. Ltd. Inv. Advisers

Fidelity International

Fleming Japan Fund S.A.

Frankfurt Trust Investment-GmbH

Free World Fund Ltd.

G. T. Management (U.K.) Ltd.

Gartmore Invest. Ltd. Ldn. Agts.

Gartmore Fund Managers (Far East) Ltd.

Gartmore Fund Managers (IOM) (a)

Assicurazioni GENERALI S.p.A.

Granville Management Limited

Guinness Mahon Fd. Mgrs. (Guernsey)

Hambro Pacific Fund Mgmt. Ltd.

Hambros Fd. Mgrs. (C.I.) Ltd.

Henderson Admin. (Guernsey) Ltd.

Henderson Baring Group

Henderson Management (Guernsey) Ltd.

Hill-Samuel & Co. (Guernsey) Ltd.

Hill Samuel Investment Mgmt. Intnl.

I.C. Trust Managers Ltd.

IBF Management Services Inc.

International Bond Trust

International Pacific Inv. Mgmt. Ltd.

Investment Advisers, Inc.

Invicta Investment Management

Jardine Fleming & Co. Ltd.

Kleinwort Benson Group

Korea International Trust

The Korea Trust

Lazard Brothers & Co. (Jersey) Ltd.

Lloyds Bk. (C.I.) U/T Mgrs.

Lloyds Bank International, Geneva

Lloyds Bank International, Guernsey

Louis Dreyfus Commodity Fund

M & G Group

Management International Ltd.

Midland Bank Tst. Corp. (Jersey) Ltd.

Samuel Montagu Ldn. Agents

Minerals, Oils Res. Shrs. Fd. Inc.

Murray, Johnstone (Inv. Adviser)

Nat. Westminster Jersey Fd. Mgrs. Ltd.

Negit S.A.

N.E.L. International Ltd.

Pacific Basin Fund

Phoenix International

Providence Capitol Life Ass. (C.I.)

Quest Fund Man. (Jersey) Ltd.

Quilter/Reinold Commodities

RBC Investment Managers Limited

Ramineo Managers Ltd.

Richmond Life Ass. Ltd.

Rothschild Asset Management (C.I.)

Save & Prosper International

Schroder Life Group

Schroder Mngt. Services (Jersey) Ltd.

J. Henry Schroder Wagg & Co. Ltd.

Schroder Unit Trust Mgrs. Int. Ltd.

Scrimgeour Kemp-Gee Mngmt., Jersey

Sentry Assurance International Ltd.

Signal Life Assurance Ltd.

Singer & Friedlander Ldn. Agents.

Strategic Metal Trust Mngrs. Ltd.

Stronghold Management Limited

Surinvest (Jersey) Ltd.

TSB Trust Funds (C.I.)

Tokyo Pacific Holdings N.V.

Tokyo Pacific Hldgs. (Seaboard) N.V.

Tyndall Group

M. G. Tyrrell & Co. (Jersey) Ltd.

Union Invest. Fd. Mngt. Co. S.A. Lux.

Union-Investment-Gesellschaft mbH

V.C.A. Financial Management Ltd.

Vanbrugh Fund Mngmt. Intl. Ltd.

S. G. Warburg & Co. Ltd.

Warburg Invest. Mngt. Jrsy. Ltd.

Wardley Investment Services Ltd.

World Wide Growth Management

Wren Commodity Management Ltd.

NOTES

FT SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

Index-Linked & Variable Rate

[illegible]

INT. BANK AND O'SEAS GOVT. STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH AND AFRICAN LOANS

		Do. 7½pc '83-86	83	-¼	9.26	13.52
		S. Rhod. 2½pc Non-Ass.	150		—	—
		Do. 3½pc 80-85 Assd.	64		5.44	17.60
		Do. 4½pc 87-92 Assd.	40xd	-1	10.80	17.40
		Zimbabwe Ann (£100pa)	340xd	-2	—	21.36

LOANS

Public Board and Ind.

		Agric. Mt. 5pc '59-89	62	-¼	8.21	13.64
		Met. Wtr. 3pc 'B'	28½xd	-¼	10.59	12.94
		U.S.M.C. 9pc 1982	108		8.58	—
		Do. without Warnts.	99½		9.30	—

LOANS—Continued

Financial

[illegible]

Building Societies

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

BANKS AND HIRE PURCHASE

1982 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's	P/E
338	210	ANZ SA1	215		Q28c	3.3	8.2	3.7
253	218	Alexanders D. £1	224		18.5	—	11.8	—
£61	£56½	Algemene Fl.100	£58½		Q26%	ϕ	9.5	ϕ
100	80	Allied Irish	80		Q13.9%	5.5	11.2	2.3
19¼	13¼	Ansbacher (H.) 5p	16	-1	¶0.35	—	3.8	—
260	200	Bk. Ireland £1	200		Q28.9%	—	11.8	—
5	4	Bk. Leumi $0.1	5		Q12½%	—	0.7	—
240	210	Bk. Leumi (UK) £1	220		G10.15	—	6.6	—
180	153	Bk. N.S.W. $A1	157	-3	Q24c	2.9	9.3	3.7
518	425	Bank Scotland £1	428		†17.5	5.7	5.8	3.2
510	440	Barclays £1	450	+2	¶22.0	φ5.3	7.0	2.9
240	220	Brown Shipley £1	235		h6.5	—	4.0	—
325	275	Cater Allen £1	320		23.1	—	10.3	—

BANKS & H.P.—Cont.

[illegible]

Hire Purchase, etc.

[illegible]

BEERS, WINES AND SPIRITS

[illegible]

BUILDING INDUSTRY, TIMBER AND ROADS

[illegible]

CHEMICALS, PLASTICS

[illegible]

CHEMICALS, PLASTICS—Cont.

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ENGINEERING MACHINE TOOLS

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC.

[illegible]

FOOD, GROCERIES—Cont.

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

1982 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's	P/E
185	137	Jardine M. SHK6	144	−2	†Q88c	2.0	5.9	8.4
242	187	Johnson Clnrs.	187xd	−1½	7.7	ϕ	5.9	ϕ
295	250	Johnson Mthy. £1	253	......	9.5	2.3	5.4	(9.3)
80	64	Jourdan (T.) 10p	72	......	5.25	ϕ	10.4	ϕ
47	40	Kalamazoo 10p	46	......	2.5	6.9	7.8	21.3
168	135	Kelsey Inds.	168	......	8.0	2.1	6.8	9.6
152	143	Kennedy Sm. 10p	143	......	†4.38	4.3	4.4	7.6
310	255	Kershaw (A.) 5p	275	......	21.75	0.5	11.3	(46.1)
51	41	Kleen-E-Ze Hldgs.	47	......	5.5	0.7	16.7	(13.7)
68	57	L.C.P. Hldgs.	59	−1	4.3	0.8	10.4	(20.8)
48	39½	L.R.C. Int. 10p.	47	......	2.5	1.6	7.6	10.6
46	40	Lawtex	40	......	‡1.5	—	‡	—
188	153	Lead Inds. 50p.	179	+1	9.66	1.4	7.7	12.0
315	277	Lep Group 10p.	315	......	16.5	2.1	7.5	7.3
18	12	Lesney Prods. 5p.	12	......	—	—	—	—
37	35	Lilleshall 10p	36	......	3.5	—	13.9	—
50	39	Lon. & Liv. 10p	44	......	†1.7	3.3	5.5	6.5
102	92	London & Midl'd	96	......	7.75	1.1	11.5	(11.0)
48	36	Lon. & Nthn. Grp.	48	+½	3.75	2.5	11.2	4.1
30	25	♦Lon. Priv. Health	29	......	—	—	—	—
9¼	6	Long Hmbly. 10p.	6½	......	B—	—	—	—
46	36	Longton Inds.	43	......	1.0	—	3.3	—
40	33	Lonsdale Univrsl.	39	......	1.0	0.9	3.7	(40.6)
195	130	Low & Bonar 50p	130	−51	7.0	ϕ	7.8	ϕ
33½	27	M.Y. Dart 10p.	29	......	2.9	1.8	14.3	(4.7)
164	105	M'c'rthy Ph. 20p.	164	+1	7.0	2.8	6.1	7.6
76	70	Macfarlane Gp.	76	......	3.7	1.9	7.0	9.4
33	28	Maclellan 20p.	33	......	1.43	1.7	6.2	(11.7)
86	67	Macpherson (D.).	83	......	4.2	1.5	7.2	12.1
58	53	Magnolia Group	58	......	2.1	4.5	5.2	4.6

[illegible]

INSURANCE

[illegible]

LEISURE

[illegible]

LEISURE—Continued

[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Continued

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHERS

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

INVESTMENT TRUSTS—Cont.

[illegible]

Finance, Land, etc.

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Continued

[illegible]

OVERSEAS TRADERS

[illegible]

RUBBERS AND SISALS

[illegible]

TEAS

India and Bangladesh

[illegible]

Sri Lanka

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Finance

[illegible]

Diamond and Platinum

[illegible]

MINES—Continued

Central African

1982 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
120	75	Falcon Rh.50c	80	+5	Q25c	10.3	23.3
33	20	Wankie Col. Z$1	23	+1	Q3c	1.2	9.7
21	16	Zam.Cpr.SBD0.24	17	......	—	—	—

Australian

[illegible]

Tins

[illegible]

Copper

[illegible]

Miscellaneous

[illegible]

NOTES

[illegible]

REGIONAL MARKETS

[illegible]

OPTIONS

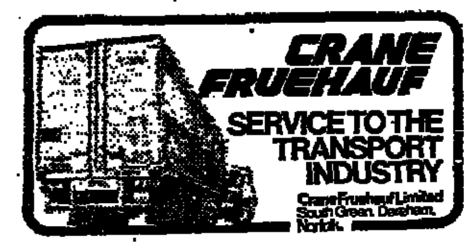
3-month Call Rates

Grand Met.	17	Thorn EMI	42	Mines	
G.U.S. 'A'	45	Trust Houses	11	Charter Cons.	25
Guardian	25	Tube Invest.	13	Cons. Gold	45
G.K.N.	15	Turner & Newall	11	Lonrho	7
Hawker Sidd	30	Unilever	55	Rio T. Zinc	42

A selection of Options traded is given on the London Stock Exchange Report page

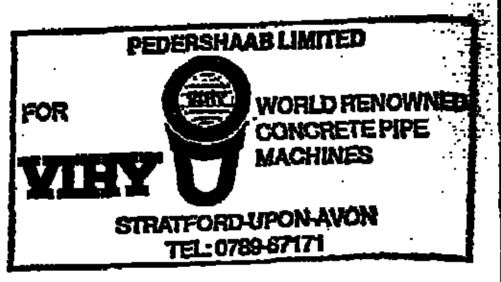
"Recent Issues" and "Rights" Page 36

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £600 per annum for each security



FINANCIAL TIMES

Tuesday March 30 1982



Stone-Platt receivers sell textile plant section

By Ray Maughan

THE JOINT RECEIVERS of Stone-Platt Industries have confirmed the agreement, made by the previous management, to sell the group's money-losing machinery division, Platt Saco Lowell, told John D. Hollingsworth on Wheels, of Greenville, South Carolina.

The disposal is subject to clearance by the U.S. anti-trust authorities, and the receivers hope that the contract will become unconditional in the next fortnight.

Meanwhile the receivers will continue to run the business at Accrington, Lancs., and Helmshore with a reduced staff until Hollingworth takes over.

Mr Bill Mackey and Mr Bill Roberts, the receivers, said yesterday they believed that "this transaction is the only one available which will assure continuing production and employment in the factory at Accrington."

They warned that the business in the UK would be continued "with a substantially smaller number of employees." Meetings are taking place with Mr Arthur Davidson, Labour MP for Accrington, and trade union leaders.

No details of the cuts were revealed yesterday, but managers at the Accrington plant are understood to have given statutory redundancy forms to about half the 800 workers.

In addition to Platt Saco Lowell's UK operations the deal takes in the division's businesses at Easley, South Carolina, and in Madrid.

No details of payment have been disclosed, but the U.S. group initially contracted to buy the entire division for £12.75m under the terms of the agreement with the Stone-Platt board in February.

The Hollingsworth group is expected to continue with research and development into advanced spinning technology, with the aim in due course of manufacturing successfully-developed products in Lancashire, receivers said.

Tebbit may bring in Bill to change union practices

BY JOHN LLOYD, LABOUR EDITOR

THE GOVERNMENT may introduce a Bill before the next election, seeking substantial changes in traditional trade union practice.

Mr Norman Tebbit, Employment Secretary, said yesterday that he was "under some pressure" to introduce such a measure, which would incorporate a number of the key amendments to the Employment Bill now being tabled by Conservative MPs.

However, Mr Tebbit ruled out any but minor changes to that Bill.

Speaking after addressing a training conference in London, he said all the proposals now being tabled had been ruled out for inclusion when he was considering the current legislation, and he had heard no new arguments for them.

These proposals, which would form the backbone of a trade union Bill, include:

● Provision to allow employers to lay off workers without pay when they are unable to continue normal working because of industrial action elsewhere in the economy. An amendment to this effect, which is being strongly promoted by the Engineering Employers' Federation, was tabled yesterday to the Employment Bill, now going through its committee stage in the Commons, by Mr Gerry Neale, Tory MP for North Cornwall.

● Secret postal ballots on the election of senior officials and executive committees, and on national strike action. Amendments on these lines, backed by the Conservative Trade Unionists group, have already been tabled.

● A change in the practice under which members of unions affiliated to the Labour Party "contract out" of the political levy to one where they "contract in." This is due to be tabled shortly by Mr Marcus Fox, Conservative MP for Shipley.

Mr Tebbit would not commit himself to such legislation, although a number of Tory MPs, and some employers' groups, believe he will legislate within two years, the maximum period before the next election.

Earlier, in answer to a question on his speech, Mr Tebbit turned aside criticism that his actions and training policies had alienated the trade union representatives on the Manpower Services Commission to the point of threatening resignation. But he said he could not be "dictated to" by any interest.

The TUC commissioners on the MSC have voiced strong criticism of the Government's plan to pay youngsters on the Youth Training Scheme, now in preparation, £25 or less a week. Mr Tebbit said he wanted most of the £1bn laid aside for the scheme to be spent on improving the quality of the training, not on allowances.

Brake on union power, Page 9

Plan to limit Civil Service strikes

BY PHILIP BASSETT, LABOUR CORRESPONDENT

THE GOVERNMENT is considering proposals which would considerably restrict the ability of Civil Service unions to mount damaging selective strikes, such as last year's prolonged dispute when Government and business cash flow was disrupted.

However, there are differences over the proposals, both between hard-line and other ministers, and between ministers and their official advisers, who are urging caution in advance of the outcome of the Government's inquiry into Civil Service pay.

At the centre of the proposals is a suggestion that the automatic deduction of union dues at source by computer should be halted in the event of industrial action.

This proposal, first mooted before last year's 21-week dispute, would hit Civil Service unions' ability to organise strikes at selected key computer and other centres. The unions have found it necessary to provided strike pay to these frontliners. Stopping the dues check-off would immediately halt the unions' income.

Some ministers are said to be angry that the agreement to deduct dues at no cost to the unions is making the Government the paymaster for damaging strikes. However, some departments such as the Treasury, Management and Personnel Office which was created when the Treasury took over the pay functions of the old Civil Service Department—Inland Revenue and Health and Social Security, are urging caution.

Ministers are studying a paper prepared by senior civil servants in which the check-off proposal is presented as one of a series of three or four options.

All are linked with the renegotiation of the unions' facilities agreement, which provides time off for trade union work. Hard-line ministers are seeking union agreement to the check-off proposal as a quid pro quo for the Government's signing of the facilities agreement.

The agreement provides for greater restrictions on the time off allowed for trade unionists, and creates in the Civil Service a distinction between trade union and industrial relations activities. Though unions are concerned about the check-off proposal, they have accepted the facilities agreement and are keen for its implementation.

However, in their paper to ministers, senior civil servants are understood to be urging that no precipitate action should be taken, and that the check-off and facilities issues be kept separate. They are pointing to the Australian example, where the check-off was halted for civil servants a few years ago by the Fraser government.

The immediate response was a dramatic fall for a few months in union income, but advisers are warning that this was followed by an increase in funds and a revitalisation of union organisation as local collectors increased unionisation in offices.

Workers offered £18 pay cut or sacking

By Arthur Smith, Midlands Correspondent

A BIRMINGHAM engineering company has told its 600 manual workers that they must accept pay cuts of up to £18 a week or be dismissed.

Burman and Sons, part of the Adwest Group, has written to blue-collar workers giving them notice of dismissal. Notice varies between two weeks and 12, according to length of service.

Workers will be re-employed only if they accept lower rates of pay and ending of the present bonus scheme.

The letter includes a form for workers to indicate acceptance.

Alternatively, attendance at work the day after official dismissal is deemed to indicate acceptance of the deal, a tactic successfully used by Sir Michael Edwardes, the BL chairman, to impose new working practices.

Union leaders appeared shocked last night by Burman's tactics, for which they could find no recent precedent. Mr Ernie Hunt, of the Amalgamated Union of Engineering Workers, said the company was "setting a new trend" and taking advantage of the recession and high unemployment.

The letter was provocative, he said, because it aimed to "pick off" individuals so as to undermine the trade union movement.

The unions have still to meet to discuss their opposition, but evidently feel that the company's tactics have put them on the spot.

The fact that individuals might return the acceptance slips, and that the dismissals are spread over a period, most taking effect within six weeks, would tend to divide the workforce.

Mr Robert Simpson, managing director of Burman and Sons, said last night that the action was "not our first choice."

The company would have preferred to negotiate, but realised the unions' difficulty in accepting pay cuts.

Negotiating procedure for the economy measures had been exhausted, and the unions were subsequently given the option of suggesting alternative savings.

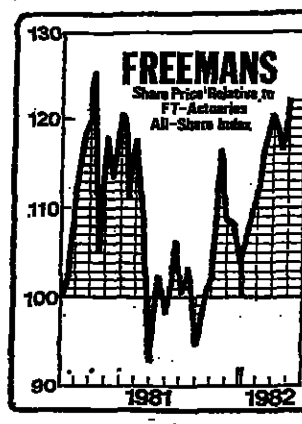
That offer remained open, but Mr Simpson did not see how such savings could be achieved.

Burman, which makes steering gear for the motor industry, has been particularly hard hit by the recession. The workforce has been almost halved in the past two years.

THE LEX COLUMN

Glynwed shows its steel

Index fell 2.6 to 555.1



Glynwed recognised that it was in some of the most sluggish sectors of the UK economy some years ago, and accordingly began taking the difficult decisions on rationalisation well before the recession struck. So it has been hit less hard in the past two years than many of its competitors; indeed, for 1981 it has produced its best ever level of pre-tax profits—up £3.1m at £19.2m.

South African earnings have, so far, remained buoyant, but the key to the improvement is in the UK, where first half trading profits of £4m have been boosted to £8.6m in the second six months. The main areas of recovery have been steel and engineering, helped by higher prices, along with a turnround into profits in steel stockholding.

Profits from South Africa may fall by one-third this year, but that should be recouped comfortably throught further recovery in the UK and the contribution from recent UK acquisitions. Net debt stands at about two-thirds of equity, but Glynwed's return on capital is good enough to produce income gearing of below a quarter. Meanwhile, the dividend is covered 1½ times by current cost earnings. The shares rose 3p yesterday to 117p, where the yield is a solid 9.2 per cent.

Freemans

The momentum established by Freemans during its first half has been fully maintained in the six months to January, leaving full year profits 23 per cent higher at £13.1m. Trading margins are still not fat enough, but, after two years of precipitous decline, they are at least moving in the right direction.

Freemans has expanded its network of agents by over 13 per cent in the past year and voume has increased sharply as a result. Adjusting for the difference in reporting periods, second half sales were up by 16 per cent, of which only half represented price inflation. Not surprisingly, however, the bad debt charge has risen steeply while Freemans has suffered a deterioration in working capital ratios, which helps to explain the higher interest charge in the second six months.

So, with the exchange rate no longer working strongly in its favour, Freemans has done well to push second half trading margins above 6 per cent. It has been able to widen gross margins across the board and growth has again been concentrated on the more lucrative fashion items. The market has woken up to the revival of the mail order sector and, at last night's price of 140p, the yield is only 4.3 per cent.

Fortune hunting

The Institute of Fiscal Studies was doing its best yesterday to stir up enthusiasm for reforming corporation tax. But the main message to emerge from its one-day conference was that the recent Green Paper on the subject is too vague and general to be of any use as a basis for major changes. As the Government requires consensus, it loooks as if nothing much is going to happen until the next crisis.

That crisis—well, a mini-crisis, anyway—could emerge rather sooner than expected. Ad hoc systems are always vulnerable to specific changes in one area having uncalculated repercussions somewhere else. And it looks as if the implications of making the index-linked bond available to all extend well beyond a requirement for a general indexing of capital gains.

If they chose, some companies could make millions gratis the Inland Revenue by raising money to invest in the index linked bond (in a suitably discreet way). Interest payments are allowable against tax in full, while only the small income proportion of the total return offered by the bond is taxable. If the company holds the stock to redemption, the only risk in this way of using the tax asymmetry as a short-cut to a fortune is a very substantial shift in the long-term level of real interest rates.

Habitat

Habitat's interim figures are strictly of historic interest, since the second half will be transformed by the consolidation of Mothercare. But at least the old company looks well equipped for the chores of parenthood.

Profits before tax have risen 55 per cent to £3.6m in the six months to January. This rather overstates the improvement as the offer for sale proceeds have cut the interest charge by about £250,000 and the widening of trading margins results partly from a bunching of marketing costs. But there has also been some underlying margin improvement and new openings have helped push volume sales up 10 per cent.

After recent concern about the Mothercare merger, the shares have resumed their upward progress and, at 132p, stand well above the tender price on a prospective yield of about 4 per cent.

ACC

Heron International is bowing out of the ACC battle with such good grace that its withdrawal is not entirely credible. Apart from a side-swipe at the directors of ACC who, we are reminded, recommended an offer of only 66p a share in January, Heron contents itself with the dignified remark that it "takes a different view of the value of ACC" from that of Mr Robert Holmes a Court's TVW.

Heron even goes as far as to express its pleasure that the non-voting shareholders of ACC now have an opportunity to take 110p a share from TVW—which of course begs the question of how real the 110p offer is. Certainly the equity market, which brought the "A" shares down 4p to 96p yesterday, has its doubts. The 110p offer is conditional on 90 per cent acceptance, which would enable TVW to buy out any minority holders; otherwise the Number Two offer, at 95p a share, comes into play. It is possible that Heron might be back if the higher TVW bid turns out to be illusory—but then everything is possible in the celluloid world of motion pictures.

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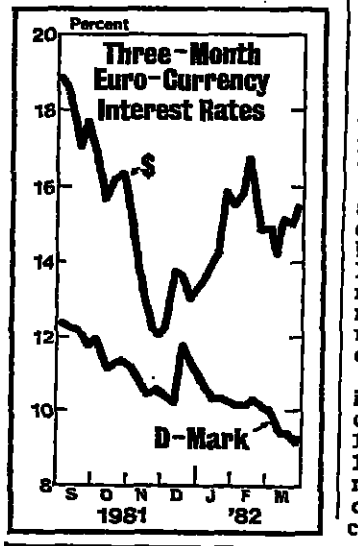
Dollar

Board wrestles to rein in growth of the money supply.

The dollar rose to a record FFr 6.29 early on in Europe but dropped later to close in London at FFr 6.2350 against FFr 6.2525 on Friday.

A tightening of French exchange controls last week and a tough statement in defence of the franc from M Pierre Mauroy, the Prime Minister, helped stabilise the currency. It also profited from an unwinding of speculative positions taken out on Friday on expectations that the franc would be devalued over the weekend. According to dealers, the Bank of France did not intervene yesterday.

The yen rose yesterday, finishing in London at Y246.75 to the dollar against Y247 on Friday. This followed action by the Bank of Japan to push short term interest rates higher in Tokyo.



Tax threat to $1bn Boeing order

BY RICHARD LAMBERT IN NEW YORK

UNITED AIRLINES, the largest domestic carrier in the U.S., has threatened to cancel orders for 20 Boeing 767 aircraft worth nearly $1bn (£562m) if Congress repeals leasing and tax concessions in the current tax law. Meanwhile it has told Boeing to stop work on the aircraft.

United's warnings come amid mounting pressure from industry in the U.S. to keep the tax provisions intact. Late last week, the Air Transport Association of America said that aircraft orders worth about $15bn and involving thousands of jobs would be jeopardised if the tax concessions were withdrawn.

Under the 1981 tax law, a temporarily unprofitable business investing in new plant and equipment can take advantage of investment tax credits and depreciation allowances by making leasing arrangements with another company that is profitable and has tax liabilities.

A number of congressional leaders have argued that these concessions should be repealed or substantially modified, on the grounds that they have enabled some profitable companies to escape tax altogether without producing a big increase in new investment as compensation.

United Airlines, which lost nearly $74m on its airline operations in the last quarter of 1981, said it would accept deliveries due this autumn of 19 Boeing 767 aircraft. The remaining 20 aircraft in its contract would be cancelled if the tax laws were repealed or significantly changed.

United was the first customer for the 767, placing its order in July 1978. Its aircraft are to be powered by Pratt and Whitney engines. Boeing has 173 firm orders for the 767, including the 39 for United.

Last month, Mr Frank Borman, the chief executive of Eastern Airlines, said a change in tax rules could put in question orders worth $1bn for Boeing 757 aircraft powered by Rolls-Royce engines.

The U.S. Treasury Department estimates that the total value of leasing business in 1981 was $19.3bn.

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Ford price cuts

February, however, the annualised rate of sales was 1.36m only.

With up to £400 in bonuses at stake on each car, Ford dealers became embroiled in hectic discounting. Because Ford is market-leader and has more than 32 per cent of total new-car sales, the dealers were mainly battling against each other.

Mr Toy believes Ford's initiative will help boost new car sales this year to between 1.47m and 1.5m (compared with 1.48m for 1981) and the group's market penetration to 34 per cent in 1982, rising to 35 per cent in 1983.

Ford believes some new car buyers have held back either while they considered importing unofficially from the Continent, where prices are much lower than in Britain, or because they had become convinced prices in the UK would be cut substantially.

"We still don't match Continental prices but the gap has been narrowed to the point where the would-be buyer should have no doubts it is better to buy in the UK," Mr Toy said.

The major cuts are on the unofficial importers' favourite cars—the Granada and Escort XR3, down £496

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Nigeria

believed to be paid for at the official price, has to be consumed in France.

Elf's problem is that it now has far too much oil available following a drop in French consumption of about 25 per cent over the past two years. M Albin Chalandon, chairman, says the company is currently committed to receive about 14m tonnes more than its French requirements of about 20m tonnes.

One solution to the problem would be to cut the company's offtake from its African activities, which supply about 75 per cent of its own production of around 16m tonnes a year.

Weather

UK TODAY

GENERALLY colder, but most areas will have sunny intervals and showers. Cold later with slight frost and fog patches forming in northern areas.

England and Wales
Clear or sunny intervals, scattered showers, wintry in places. Max. 5C-9C (41F-48F).

Scotland and N. Ireland
Clear or sunny periods, isolated showers, overnight mist or fog. Max. 5C-7C (41F-45F).

Shetland and Orkney
Sunny intervals, wintry showers, rain later. Max. 5C (41F).

Outlook: Showers in the East, becoming dry with sunny periods.

WORLDWIDE

		Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	C	15	59	L. Ang.†	S	11	52
Algiers	F	19	66	Luxmbg.	F	12	54
Amsdm.	R	6	43	Luxor	S	24	75
Athens	F	17	63	Madrid	C	11	52
Bahrain		—	—	Majorca	C	16	61
Barclna.	C	15	59	Malaga	R	12	54
Beirut	S	17	63	Malta	C	19	66
Belfast	F	8	46	M'chstr.	F	7	45
Belgrd.	F	18	64	Melbne.		—	—
Berlin	F	12	54	Mx. C.†		—	—
Biarritz	F	13	55	Miami†		—	—
Bmghm.	R	3	37	Milan	F	13	55
Blackpl.		—	—	Montrl.†	S	−2	28
Bordx.	S	15	59	Moscow	S	5	41
Boulgn.	R	6	43	Munich	F	13	55
Bristol	C	5	41	Nairobi		—	—
Brussels	C	6	43	Naples	F	18	64
Budpst.	F	16	61	Nassau		—	—
Cairo		—	—	Nwcstl.	C	6	43
Cardiff	F	7	45	N York†		—	—
Cas'b'ca	F	21	70	Nice	C	15	59
Cape T.		—	—	Nicosia		—	—
Chicg.†	S	−3	27	Oporto	F	18	64
Cologne	F	10	50	Oslo	Sn	1	34
Cpnhgn.	C	6	43	Paris	C	10	50
Corfu	F	19	66	Perth		—	—
Denver†	S	7	45	Prague	F	13	55
Dublin	F	7	45	Reykjvk.	R	4	39
Dbrvnk.	C	15	59	Rhodes	S	18	64
Ednbgh.	C	8	46	Rio J'o†		—	—
Faro	C	16	61	Rome	F	18	64
Florence	C	14	57	Salzbrg.	F	13	55
Frankft.	C	13	55	S. F'cisco†		—	—
Funchal	F	17	63	S. Moritz		—	—
Geneva	F	14	57	Singapr.		—	—
Gibraltar	C	15	59	Santiago†		—	—
Glasgow	F	9	48	Stckhm.	F	6	43
G'nsey	S	8	46	Strsbg.	C	13	55
Helsinki	F	4	39	Sydney		—	—
H. Kong		—	—	Tangier	F	19	66
Innsbrk.	F	14	57	Tel Aviv	S	17	63
Invrnss.	C	8	46	Tenerife	F	20	68
I.o.Man		—	—	Tokyo		—	—
Istanbul	S	15	59	T'ronto†	F	−2	28
Jersey	C	7	45	Tunis	F	21	70
Jo'burg		—	—	Valencia	C	15	59
L. Pims.	F	20	68	Venice	S	11	52
Lisbon	S	11	52	Vienna	C	13	55
Locarno	F	11	52	Warsaw	C	11	52
London	C	6	43	Zurich	C	11	52

C—Cloudy. F—Fair. R—Rain, S—Sunny. Sn—Snow.
† Noon GMT temperatures.

France attacks EEC budget plan

BY JOHN WYLES IN BRUSSELS

PRESIDENT MITTERRAND of France last night said the five-year package outlined last week for settling the dispute over Britain's contributions to the EEC budget did not provide a basis for negotiation.

The proposals were drafted by M Gaston Thorn of the European Commission and Mr Leo Tindemans of the EEC Council of Ministers.

Mrs Thatcher had called for a speedy agreement by Foreign Ministers on Saturday on a formula for cutting back the UK's transfers to Brussels.

The statement by President Mitterrand was seen as a predictable toughening of France's negotiating position.

It will not be clear until Saturday whether he was signalling an attempt to torpedo the Community's efforts to end the British budget saga.

European Community heads of government spent most of the first day of their summit meeting on the problem of unemployment. Mrs Margaret Thatcher and Chancellor Helmut Schmidt formed an alliance to warn their colleagues against relying too heavily on publicly-funded job creation schemes.

Denmark's Mr Anker Joergenson strongly advocated asking EEC Employment Ministers to draw up a Community strategy for co-ordinating job creation and other employment programmes.

President Mitterrand and Mr Dries Van Agt of the Netherlands were also sympathetic to ideas for more determined community social policies.

But Herr Schmidt was at his most pessimistic, arguing that his and other governments had no room to boost public spending. Mrs Thatcher agreed that the much-needed increase in investment could be achieved only through reduced consumption.

Yesterday's discussion offered some clues to the position which the four Heads of Government from the Community's largest member states will take up at the World Economic Summit at Versailles in June.

President Ronald Reagan will again be told of the need to be aware of the impact of high U.S. interest rates on the EEC economies, while Mr Zenko Suzuki, the Japanese Prime Minister, will be told to achieve a better balance of Japanese monetary and fiscal policies

The Heads of Government turned to international issues over dinner last night, including Poland, the Middle East and general relations with the U.S. Mr Wilfried Martens, Belgian Premier, was expected to argue the case for strengthening consultation arrangements with Washington.